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Command Center, Inc.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 30, 2012

OR

❑ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to_____

Commission file number: 000-53088

COMMAND CENTER, INC.

(Exact Name of Registrant as Specified in its Charter)

Washington	**91-2079472**
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3773 West Fifth Avenue, Post Falls, ID	**83854**
(Address of Principal Executive Offices)	(Zip Code)

(208) 773-7450
(Registrant's Telephone Number, including Area Code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mare whether the Registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ❑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ❑

Indicate by check mark whether the Registrant is a large accelerated filer❑, an accelerated file❑, a non-accelerated filer❑, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act) ☑

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes❑ No ☑

APPLICABLE ONLY TO CORPORATE ISSUERS:

Number of shares of issuer's common stock outstanding atMay 11, 2012: 59,142,368

FORM 10-Q
TABLE OF CONTENTS

	Page
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	3
Consolidated Condensed Balance Sheets as of March 30, 2012 and December 30, 2011	3
Consolidated Condensed Statements of Operations for the Thirteen weeks ended March 30, 2012 and April 1, 2011	4
Consolidated Condensed Statements of Cash Flows for the Thirteen weeks ended March 30, 2012 and April 1, 2011	5
Notes to Consolidated Condensed Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	13
Item 3. Quantitative and Qualitative Disclosures about Market Risk	16
Item 4. Controls and Procedures	16
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	17
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	17
Item 3. Default on Senior Securities	17
Item 4. Removed and Reserved	17
Item 5. Other Information	17
Item 6. Exhibits	17
Signatures	18

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Command Center, Inc.
Consolidated Condensed Balance Sheets

	March 30, 2012 (unaudited)	December 30, 2011
ASSETS		
Current Assets		
Cash	$ 907,024	$ 1,131,296
Accounts receivable, net of allowance for bad debt of $203,244 and $231,948, respectively	3,196,350	2,160,072
Prepaid expenses, deposits and other	344,012	396,908
Prepaid workers' compensation	15,751	27,632
Other receivables - current	11,596	11,028
Current portion of workers' compensation deposits	601,000	798,000
Deferred tax asset	912,195	912,195
Total Current Assets	5,987,928	5,437,131
Property and equipment - net	491,215	383,014
Workers' compensation risk pool deposit, less current portion	211,463	130,834
Goodwill	3,306,786	2,500,000
Intangible assets - net	623,514	46,834
Total Assets	$ 10,620,906	$ 8,497,813
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 369,429	$ 900,174
Checks issued and payable	445,389	169,738
Other current liabilities	459,624	558,821
Current portion of contingent liability	378,972	-
Accrued wages and benefits	1,618,540	785,665
Current portion of notes payable	100,000	-
Current portion of workers' compensation claims liability	1,523,204	1,186,661
Common stock issuable	26,066	-
Total Current Liabilities	4,921,224	3,601,059
Long-term liabilities		
Warrant liabilities	1,599,598	983,415
Contingent liabilities, less current portion	446,689	-
Workers' compensation claims liability, less current portion	2,029,304	2,148,675
Total Liabilities	8,996,815	6,733,149
Commitments and contingencies (Note 4 and 8)		
Stockholders' equity		
Preferred stock - $0.01 par value, 5,000,000 shares authorized; none issued	-	-
Common stock - 100,000,000 shares, $0.001 par value, authorized; 59,142,368 and 57,606,368 shares issued and outstanding, respectively	59,142	57,606
Additional paid-in capital	55,372,190	54,952,802
Accumulated deficit	(53,807,241)	(53,245,744)
Total Stockholders' Equity	1,624,091	1,764,664
Total Liabilities and Stockholders' Equity	$ 10,620,906	$ 8,497,813

See accompanying notes to consolidated condensed financial statements

Command Center, Inc.
Consolidated Condensed Statements of Operations
(unaudited)

	Thirteen Weeks Ended	
	March 30, 2012	April 1, 2011
Revenue	$ 19,093,681	$ 16,379,823
Cost of staffing services	14,452,123	13,174,044
Gross profit	4,641,558	3,205,779
Selling, general and administrative expenses	4,270,462	4,382,348
Depreciation and amortization	120,463	131,276
Income (loss) from operations	250,633	(1,307,845)
Interest expense and other financing expense	(195,946)	(213,563)
Change in fair value of warrant liability	(616,183)	(780,029)
Basic and diluted net loss	$ (561,496)	$ (2,301,437)
Net loss per share:		
Basic and diluted	$ (0.01)	$ (0.04)
Weighted average shares outstanding:		
Basic and diluted	59,044,786	55,045,863

See accompanying notes to consolidated condensed financial statements.

Command Center, Inc.
Consolidated Condensed Statements of Cash Flows
(unaudited)

	Thirteen Weeks Ended	
	March 30, 2012	April 1, 2011
Cash flows from operating activities		
Net loss	$ (561,496)	$ (2,301,437)
Adjustments to reconcile net loss to net cash used by operations:		
Depreciation and amortization	120,463	131,276
Change in allowance for bad debt	(28,704)	(32,076)
Change in fair value of stock warrant liability	616,183	780,029
Common stock issued for services	12,600	28,400
Stock based compensation	18,323	50,150
Changes in assets and liabilities:		
Accounts receivable - trade	(862,821)	185,626
Other receivables	(568)	6,402
Prepaid expenses, deposits and other	52,897	(16,904)
Prepaid workers' compensation premiums	11,881	(167,753)
Workers' compensation risk pool deposits	116,371	516,071
Accounts payable	(530,745)	(876,949)
Accounts receivable factoring agreement	(144,753)	(568,273)
Accrued wages and benefits	832,875	311,889
Workers' compensation claims liability	217,172	292,435
Disbursements outstanding	275,651	708,289
Other current liabilities	(99,197)	-
Net cash provided (used) by operating activities	46,132	(952,825)
Cash flows from investing activities		
Purchase of property and equipment	(70,404)	(35,997)
Cash paid for acquisition of subsidiary	(150,000)	-
Net cash used by investing activities	(220,404)	(35,997)
Cash flows from financing activities		
Payments on notes payable	(50,000)	-
Proceeds from exercise of common stock warrants	-	170,000
Common stock to be issued for the exercise of warrants	-	25,000
Net cash provided (used) by financing activities	(50,000)	195,000
Net decrease in cash	(224,272)	(793,822)
Cash, beginning of period	1,131,296	1,667,281
Cash, end of period	$ 907,024	$ 873,459
Non-cash investing and financing activities		
Common stock issued for subsidiary	$ 390,000	$ -
Contingent liability issued for subsidiary	$ 825,661	$ -
Note payable issued for subsidiary	$ 150,000	$ -
Common stock issuable for subsidiary	$ 26,066	$ -
Common stock issued for services	$ -	$ 22,200
Supplemental disclosure of cash flow information		
Interest Paid	$ 101,065	$ 92,400
Income taxes paid	$ -	$ -

See accompanying notes to consolidated condensed financial statements.

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared by Command Center, Inc. (the*Company, us, we,* or *our*) in accordance with accounting principles generally accepted in the United States of America (*GAAP*) for interim financial reporting, as well as the instructions to Form 10-Q. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP may have been condensed or omitted. In the opinion of our management, all adjustments, consisting of only normal recurring accruals, necessary for a fair presentation of the financial position, results of operations, and cash flows for the fiscal periods presented have been included. The information included in this 10-Q should be read in conjunction with the audited financial statements and notes to the financial statements included in our Annual Report filed on Form 10-K for the year ended December 30, 2011.

Consolidation: In January of 2012 we organized, Disaster Recovery Services, Inc., as a wholly owned subsidiary (see Note 4 – Acquisitions). Accordinly, the consolidated condensed financial statements include the accounts of Command Center, Inc., and our wholly-owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

Reclassifications: Certain financial statement amounts for the prior period have been reclassified to conform to the current period presentation. These reclassifications had no effect on the net loss or accumulated deficit as previously reported.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of our financial statements. Actual results could differ from these estimates and assumptions and could have a material effect on the reported amounts of our financial position and results of operations.

NOTE 2 – EARNINGS PER SHARE

We follow financial accounting standards which require the calculation of basic and diluted earnings per share. Basic earnings per share is calculated by dividing net income or loss available to common stockholders by the weighted average number of common shares outstanding, and does not include the impact of any potentially dilutive common stock equivalents. Diluted earnings per share reflect the potential dilution of securities that could share in our earnings through the conversion of common shares issuable via outstanding stock options and stock warrants. Total outstanding common stock equivalents at March 30, 2012 and April 1, 2011 were 13,524,803 and 13,637,803, respectively. If we incur losses in the period presented, or if conversion into common shares is anti-dilutive, basic and dilutive earnings per share are equal.

NOTE 3 – ACCOUNT PURCHASE AGREEMENT

We have an account purchase agreement in place which allows us to sell eligible accounts receivable for 90% of the invoiced amount on a full recourse basis up to the facility maximum, or $10 million at March 30, 2012. When the invoice is paid, the remaining 10% is paid to us, less applicable fees and interest. Net accounts receivable sold pursuant to this agreement at March 30, 2012 were approximately $6.0 million. The term of the agreement in place at March 30, 2012 was for the period ending April 7, 2012. The agreement has been extended through April, 2014. The agreement bears interest at the greater of the prime rate plus 2.5%, or the London Interbank Offered Rate plus 5.5%, with a floor of 6.25% per annum. At March 30, 2012 the effective interest rate was 6.25%. Interest is payable on the actual amount advanced or $3 million, whichever is greater. Additional charges include an annual facility fee equal to one percent of the facility threshold in place, a monthly monitoring fee of $5,000, and lockbox fees. As collateral for repayment of any and all obligations, we granted Wells Fargo Bank, N.A. a security interest in all of our property including, but not limited to, accounts receivable, intangible assets, contract rights, investment property, deposit accounts, and other such assets.

NOTE 3 – ACCOUNT PURCHASE AGREEMEMENT (continued)

The agreement requires that the sum of the excess available advances, plus or minus our book cash balance at month end, must at all times be greater than accrued payroll and accrued payroll taxes. At March 30, 2012, we were in compliance with this covenant.

NOTE 4 – ACQUISITIONS

On January 4, 2012 (effective January 1, 2012), through our wholly-owned and newly formed subsidiary Disaster Recovery Services, Inc., we entered into an asset purchase agreement (the *Agreement*),with DR Services of Louisiana, LLC, a Louisiana limited liability company, and Environmental Resource Group, LLC, a Louisiana limited liability company (collectively *DRS*). Under the terms of the Agreement, we acquired substantially all of DRS's assets in exchange for $300,000 ($150,000 of which was paid at closing and $150,000 to be paid in six subsequent monthly installments of $25,000) and 1.5 million shares of our restricted common stock valued at $390,000. There is also a contingent fee due of up to an additional 1.5 million shares of our restricted common stock based on certain enumerated operating performance standards over the next 2 years, which was valued at $851,727. The amounts of the assets acquired at the acquisition date include tangible property valued at $90,015, other identifiable intangible assets valued at $644,926, and goodwill of $806,786.

The fair value of the 1.5 million shares issued was determined based on the closing price of our common stock on the date of issuance. The fair value of the contingent shares to be issued was determined based upon a binomial model where we estimated future amounts of variables in the formula that determines the number of shares to be issued.

As part of the agreement, the owners of DRS entered into employment agreements with us with a term of one year in which we agreed to pay them an annual salary, performance related bonuses, and a vehicle allowance. Also as part of the agreement, the owners of DRS entered into non-compete agreements with a term of two years.

Our consolidated condensed financial statements for fiscal year 2012 reflect all DRS transactions for the entire period. Accordingly, no pro forma information for 2012 is being presented. Pro forma results of operations for the period ended April 1, 2011, as if the acquisition date of DRS had been January 1, 2011 (the first day of our 2011 fiscal year), are as follows:

	Command Center, Inc.	Disaster Recovery Services, Inc.	Adjustments	Pro forma
Revenue	$16,379,823	$ 967,045	$ 236,004	$17,582,872
Cost of staffing services	13,174,044	884,155	137,266	14,195,465
Gross profit	3,205,779	82,891	98,738	3,387,407
Selling, general and administrative expenses	4,382,348	92,189	-	4,474,537
Depreciation and amortization	131,276	-	-	131,276
Income (loss) from operations	(1,307,845)	(9,298)	98,738	(1,218,405)
Interest expense and other financing expenses	(213,563)	-	-	(213,563)
Change in fair value of warrant liability	(780,029)	-	-	(780,029)
Basic and diluted net loss	$ (2,301,437)	$ (9,298)	$ 98,738	$ (2,211,997)
Basic and diluted net loss per share	$ (0.04)	$ (0.01)		$ (0.04)
Basic and diluted weighted average shares outstanding	55,045,863	1,500,000		56,545,863

NOTE 4 – ACQUISITIONS (continued)

The owners of DRS ran certain contracts through Environmental Resources Group, LLC. Amounts in the adjustments column relate to these contracts.

Prior to the agreement, DRS had subcontracted with us to provide temporary employment services in various disaster relief projects, such as flood recovery work in several states.

NOTE 5 – WORKERS' COMPENSATION INSURANCE AND RESERVES

On April 1, 2011 we changed workers' compensation carriers to Zurich American Insurance Company (*Zurich*). The policy with Zurich is a guaranteed cost plan, which is in contrast to our previous coverage where we were substantially self-insured through a large deductible or retro based policy. Zurich now provides workers compensation coverage in all states in which we operate other than Washington and North Dakota. For workers' compensation claims originating in Washington and North Dakota, monopolistic jurisdictions, we pay workers' compensation insurance premiums and obtain full coverage under state government administered programs. Accordingly, our financial statements reflect only the mandated workers' compensation insurance premium liability for workers' compensation claims in these jurisdictions.

Our previous workers' compensation coverage was a large deductible policy where we had primary responsibility for claims under the policy. Our workers' compensation carriers provide re-insurance for covered losses and expenses in excess of $250,000 per claim.

One of our previous workers' compensation insurance carriers requires that we maintain a deposit account in the amount of $715,000. At March 30, 2012, we had a balance in this deposit account of approximately $133,000 and are making $25,000 weekly payments to replenish this deposit account. If our payments into this deposit account exceed our actual losses over the life of the claims, we may receive a refund of the excess risk pool payments. Conversely, if our workers' compensation reserve risk pool deposits are less than the expected losses for any given policy period, we may be obligated to contribute additional funds to the risk pool fund.

Workers' compensation expense for temporary workers is recorded as a component of our cost of services and totaled approximately $656,000 and $1.1 million for the period ended March 30, 2012 and April 1, 2011, respectively.

NOTE 6 – STOCKHOLDERS EQUITY

Issuance of Common Stock: In January 2012, we issued 1.5 million shares of common stock valued at $390,000 as part of the consideration given for DRS (see Note 4 – Acquisitions).

In March 2012, we issued 36,000 shares of common stock for services with an aggregate value of $12,600.

All shares issued for non-cash consideration were valued based on the market price of our common stock at the dates of issuance or the date the services were earned.

The following warrants for our common stock were issued and outstanding for the period ending March 30, 2012 and April 1, 2011, respectively:

NOTE 6 – STOCKHOLDERS EQUITY (continued)

	March 30, 2012	April 1, 2011
Warrants outstanding at beginning of period	12,137,803	14,887,803
Exercised	-	(2,125,000)
Warrants outstanding at end of period	12,137,803	12,762,803

A detail of warrants outstanding March 30, 2012 is as follows:

	Number	Expiration Date
Exercisable at $1.25 per share	6,312,803	6/20/2013
Exercisable at $1.50 per share	250,000	4/14/2012
Exercisable at $0.08 per share	4,200,000	4/1/2014
Exercisable at between $0.16 and $1.00 per share	1,375,000	4/15/12 to 4/15/15
	12,137,803	

The fair values of outstanding warrants defined as a derivative instrument per GAAP are estimated each period using the Black-Scholes pricing model. The change in fair value is presented as a line item in our Statement of Operations and amounted to approximately $616,000 for the period ending March 30, 2012 and approximately $780,000 for the period ended April 1, 2011.

NOTE 7 – STOCK BASED COMPENSATION

We approved an option plan in 2008 permitting the grant of 6.4 million stock options to employees for the purpose of attracting and motivating employees, officers and directors, as well as advancing our own interests. Options were granted for a term of three to five years from the date of grant. The vesting schedule varied on options granted with some being fully vested upon grant and others vesting over a period of four years, with 25% vesting on the first anniversary of the date of grant and 25% vesting each anniversary thereafter for the following three years. There were 1,387,000 options vested at March 30, 2012 and $875,000 option vested at April 1, 2011.

The following table summarizes our stock options outstanding at December 30, 2011 and changes during the period ended March 30, 2012:

	Number of Shares Under Options	Weighted Average Exercise Price Per Share	Weighted Average Fair Value Per Share	Aggregate Intrinsic Value
Outstanding, December 30, 2011	3,092,000	$ 0.20	$ 0.17	$ 993,060
Forfeited	(51,750)	0.17	0.15	(23,288)
Expired	(52,250)	0.28	0.21	(23,512)
Outstanding, March 30, 2012	2,988,000	0.20	0.17	$ 946,260

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. Expected volatility is based on historical annualized volatility of our stock. The expected term of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate is based upon the U.S. Treasury yield curve in effect at the time of grant.

We recognized share-based compensation expense relating to the vesting of issued stock options of approximately $18,000 for the period ended March 30, 3012 and approximately $50,000 for the period ended April 1, 2011.

The following table summarizes our nonvested stock options outstanding at December 30, 2011 and changes during the period ended March 30, 2012:

NOTE 7 – STOCK BASED COMPENSATION (continued)

	Number of Options	Weighted Average Exercise Price Per Share	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Nonvested, December 30, 2011	1,652,750	$ 0.17	$ 0.15	$ 738,783
Forfeited	(51,750)	0.17	0.15	(23,288)
Nonvested, March 30, 2012	1,601,000	0.17	0.15	$ 715,495

As of March 30, 2012, there was unrecognized share-based compensation expense totaling approximately $154,000 relating to non-vested options that will be recognized over the next 2.2 years.

The following table summarizes information about our stock options outstanding, and reflects the intrinsic value recalculated based on the closing price of our common stock, at March 30, 2012.

	Number of Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
Outstanding	2,988,000	$ 0.20	2.55	$ 1,016,310
Exercisable	1,387,000	0.24	1.92	295,860

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Contingent payroll and other tax liabilities: In May and June 2006, we acquired operating assets for a number of temporary staffing stores. The entities that owned and operated these stores received stock in consideration of the transaction. As operating businesses prior to our acquisition, each entity incurred obligations for payroll withholding taxes, workers' compensation insurance fund taxes, and other liabilities. We structured the acquisitions as an asset purchase and agreed to assume only the liability for each entity's accounts receivable financing line of credit. We also obtained representations that liabilities for payroll taxes and other liabilities not assumed by us would be paid by the entities and in each case those entities are contractually committed to indemnify and hold harmless Command Center, Inc. from unassumed liabilities.

Since the acquisitions, it has come to our attention that certain tax obligations incurred on operations prior to our acquisitions have not been paid. The entities that sold us the assets (the *selling entities*) are primarily liable for these obligations. The owners of the selling entities may also be liable. In most cases, the selling entities were owned or controlled by Glenn Welstad, our CEO.

Based on the information currently available, we estimate that the total state payroll and other tax liabilities owed by the selling entities is between $400,000 and $600,000 and that total payroll taxes due to the IRS are between $1 and $2 million. The Asset Purchase Agreement governing these transactions required that the selling entities indemnify us for any liabilities or claims we incur as a result of these predecessor tax liabilities. We have also secured an indemnification agreement from Glenn Welstad with a partial pledge of his common stock.

We have not accrued any liability related to these claims for state payroll and other tax liabilities and total payroll taxes due to the IRS. We have been advised by outside legal counsel that the likelihood of successor liability for the federal payroll tax liability claims remains remote. We would be adversely affected if the state and/or federal government were able to establish that we are liable for these claims.

NOTE 8 – COMMITMENTS AND CONTINGENCIES (continued)

Everyday Staffing, LLC tax liabilities: On June 30, 2006, we acquired three locations from Everyday Staffing LLC (*Everyday Staffing*) in exchange for 579,277 shares of our common stock. At the time of the acquisitions, Michael Moothart, controlling member of Everyday Staffing, represented that all tax liabilities of Everyday Staffing had been paid. As a result of the acquisitions, we booked a note payable to Everyday Staffing in the amount of approximately $113,000. In early 2008, we received notice from the State of Washington that Everyday Staffing owed certain tax obligations to the State that arose prior to the date of acquisition. The State of Washington requested that we pay the amounts due under a theory of successor liability. Subsequently, we received a second claim for successor liability. These two claims are described below.

The Department of Labor and Industries (the *Department*) issued two Notices and Orders of Assessment of Industrial Insurance Taxes (*Notice(s)*) to us. The Notices claims and assesses taxes of approximately $958,000. We strongly dispute both the alleged successor liability and also the monetary amount asserted by the Department. We are pursuing our administrative remedies in order to vigorously contest the assertions of these Notices. In strongly disputing the claims of the Department, management believes that the potential liability, if any, is not probable and is not reasonably estimable at this time. Accordingly, no liability has been established on our balance sheet for the amount claimed. Management believes our liability, if any, from the claims and assessments of the Department are not reasonably likely to have a material adverse effect on our financial position, results of operations, or cash flows in future periods.

In response to our position that we are not the legal successor to Everyday Staffing, the Department asserted its claim of successor liability against a second limited liability company, also known as Everyday Staffing, LLC (*Everyday Staffing II*). Everyday Staffing II was organized by the members of Everyday Staffing after Everyday Staffing was administratively dissolved by the state. The assertion by the State of Washington of successor liability against Everyday Staffing II is consistent with the position advanced by us that Everyday Staffing II, and not Command Center, Inc. is the only successor to the entity against which the industrial insurance taxes were assessed.

In response to the Department Notices for payment of Everyday Staffing liabilities, we filed a lawsuit against Everyday Staffing and Mr. Moothart seeking indemnification and monetary damages. In September, 2009, we obtained a judgment against Mr. Moothart and Everyday Staffing, jointly and severally, in the amount of $1.295 million. The collectability of this judgment is questionable. Glenn Welstad, our CEO, has a minority interest in Everyday Staffing as a passive investor.

NOTE 8 – COMMITMENTS AND CONTINGENCIES (continued)

Legal Proceeding: In December, 2011, Mr. Jeff Mitchell, our former Chief Financial Officer (*Plaintiff*), filed a lawsuit in Kootenai County, Idaho against us and Mr. Glenn Welstad, our CEO, alleging breach of contract, failure to pay wages, and for Director's liability. Plaintiff is seeking damages, interest, and attorney's fees. We vehemently disagree with Plaintiff's allegations and intend to vigorously defend this lawsuit.

NOTE 9 – INCOME TAX

For the fiscal year ended December 30, 2011 we recognized a change in deferred tax assets, net of the valuation allowance, of $912,195. This change was due to our determination that in 2012 we will be able to utilize a portion of our net operating losses in 2012 to offset our expected tax liabilities. Each quarter, we review the possible future utilization of our deferred tax attributes. Based on this review, no adjustment to our deferred tax asset was made at March 30, 2012.

NOTE 10 – SUBSEQUENT EVENTS

Workers' Compensation: On April 1, 2012 we changed our workers' compensation carriers to Dallas National in all states in which we operate other than Washington and North Dakota. The Dallas National coverage is a large deductible policy where we have primary responsibility for claims under the policy. Dallas National provides re-insurance for covered losses and expenses in excess of $350,000 per incident. Per our contractual agreements with Dallas National, we will make payments into, and maintain a balance of $900,000, in a non-depleting deposit account to cover claims within our self-insured layer.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD LOOKING STATEMENTS: The following discussion may contain forward-looking statements that involve a number of risks and uncertainties. Factors that could cause actual results to differ materially include the following: fluctuations in general economic conditions; we are subject to extensive government regulations and a failure to comply with regulations could materially harm our business; we may incur employment related and other claims that could materially harm our business; we are dependent on workers' compensation insurance coverage at commercially reasonable terms, which may be unavailable to us; risks inherent in the temporary employment staffing industry; and risk factors that are listed in our report and registration statements filed with the Securities and Exchange Commission.

Management's discussion and analysis is intended to be read in conjunction with our unaudited financial statements and the integral notes thereto for the quarter ending March 30, 2012. The following statements may be forward-looking in nature and actual results may differ materially.

Command Center is a provider of temporary employees to the restoration, wholesale trades, manufacturing, hospitality, construction and retail industries. We provide unskilled and semi-skilled workers to our customers. Generally, we pay our workers the same day they perform the job.

Our mission is to be the preferred partner of choice for all on-demand employment solutions by placing the right people in the right position every time.

Effective January 1, 2012, through our wholly-owned and newly formed subsidiary Disaster Recovery Services, Inc., we entered into an asset purchase agreement, with DR Services of Louisiana, LLC, a Louisiana Limited Liability Company, and Environmental Resource Group, LLC, a Louisiana limited liability company (collectively *DRS*). With this acquisition, we have access to new markets and an increased presence in Louisiana which will enable us to take advantage of opportunities not previously available to us.

At March 30, 2012, we were operating 51 stores located in 24 states, including DRS, compared to operating 53 stores in 23 states at April 1, 2011.

The following table reflects operating results for the thirteen weeks ended March 30, 2012 compared to the thirteen weeks ended April 1, 2011 (in thousands, except per share amounts and percentages). Percentages indicate line items as a percentage of total revenue. The following table serves as the basis for the narrative discussion that follows.

	Thirteen Weeks Ended			
	March 30, 2012		April 1, 2011	
Total Operating Revenue	$ 19,094		$ 16,380	
Cost of Staffing Services	14,452	75.7%	13,174	80.4%
Gross profit	4,642	24.3%	3,206	19.6%
Selling, general and administrative expenses	4,270	22.4%	4,382	26.8%
Depreciation and amortization	120	0.6%	131	0.8%
Income (loss) from operations	251	1.3%	(1,308)	-8.0%
Interest expense and other financing expense	(196)	-1.0%	(214)	-1.3%
Change in fair value of warrant liability	(616)	-3.2%	(780)	-4.8%
Basic and diluted net income (loss)	$ (561)	-2.9%	$ (2,301)	-14.1%

Results of Operations

Thirteen Weeks Ended March 30, 2012

Summary of Operations: Revenue for the thirteen weeks ended March 30, 2012 was $19.1 million, an increase of $2.7 million, or 16.6%, when compared to the first quarter of 2011. This increase in revenue is attributable to the acquisition of DRS and organic sales growth due to the sustained increase in demand in the temporary staffing industry.

Cost of Services: Cost of services was 75.7% and 80.4% of revenue for the thirteen weeks ended March 30, 2012 and April 1, 2011, respectively. This decrease is a direct result of management's increased focus on improving the fundamentals of our business. The decrease in relative costs is primarily related to our implementation of new incentive programs, our continued management of our worker's compensation costs, and focusing on higher gross margin contracts. This decrease is offset by an increase in per-diem costs, which are passed on, and relate to a new contract.

Workers' compensation expense was 3.4% and 6.9% of revenue for the thirteen weeks ended March 30, 2012 and April 1, 2011, respectively. This decrease is primarily due to an inflated 2011 first quarter expense, as well as a credit received in 2012 from one state in which we operate.

Selling, General and Administrative Expenses (SG&A): SG&A expenses were 22.4% and 26.8% of revenue for the thirteen weeks ended March 30, 2012 and April 1, 2011, respectively. This relative decrease is due primarily to a decrease in internal payroll and payroll related taxes. While SG&A expenses decreased relative to revenue, they increased by approximately $112,000. This increase was due primarily to expenses that are directly related to volume such as background checks, and increased travel costs.

Liquidity and Capital Resources

Based on our current operating plan, we anticipate that we will have sufficient cash and cash equivalents to fund our operations into the foreseeable future. If the level of sales anticipated by our financial plan are not achieved or our working capital requirements are higher than planned, we may need to raise additional cash or take actions to reduce operating expenses.

Cash provided by operating activities totaled approximately $46,000 during the period ended March 30, 2012, as compared to cash used by operations of approximately $953,000 during the same period in 2011. During the period ended March 30, 2012, the increase in cash provided by operating activities was primarily driven by an increase in accrued wages and benefits of approximately $833,000, an increase in disbursements outstanding of approximately $276,000, an increase in our workers' compensation claims liability of approximately $217,000 and an increase in our workers' compensation risk pool deposit of approximately $116,000. This was offset by a decrease in accounts receivables of approximately $863,000, and a decrease in other current liabilities of approximately $99,000.

Cash used by investing activities totaled approximately $220,000 for the period ended March 30, 2012 compared to approximately $36,000 during the same time period in 2011. For the period ended March 30, 2012, $150,000 was used to purchase DRS and approximately $70,000 was used to purchase additional property and equipment.

Cash used by financing activities totaled $50,000 for the period ended March 30, 2012 and relates to payments on a note used to finance the purchase of DRS.

Our continued capital needs will depend on store operating performance and our ability to control costs. We currently have approximately 12.1 million warrants outstanding, and approximately 1.4 million vested stock options, which may offer a source of additional capital if exercised. However, there can be no assurance that warrant holders will be willing to exercise their warrants prior to their expiration dates.

Accounts Receivable: At March 30, 2012, we had total current assets of approximately $6.0 million and current liabilities of approximately $4.9 million. Included in current assets are trade accounts receivable of approximately $3.2 million (net of allowance for bad debts of approximately $203,000). Our cash position at March 30, 2012 was approximately $907,000. Weighted average aging on our trade accounts receivable at March 30, 2012 was 25 days**.** Actual bad debt write-off expense as a percentage of total customer invoices during the thirteen weeks ended March 30, 2012 was -0.1% due to the collections of accounts that had previously been written off. Accounts receivable are recorded at the invoiced amounts. We regularly review our accounts receivable for collectability. The allowance for doubtful accounts is determined based on historical write-off experience and current economic data and represents our best estimate of the amount of probable losses on our accounts receivable. We typically refer overdue balances to a collection agency at 120 days and the collection agent pursues collection for another 60 days. Most balances over 120 days past due are written off as it is probable the receivable will not be collected. As our business matures, we will continue to monitor and seek to improve our historical collection ratio and aging experience with respect to trade accounts receivable as these are important factors affecting our liquidity.

Financing: We have an account purchase agreement in place which allows us to sell eligible accounts receivable for 90% of the invoiced amount on a full recourse basis up to the facility maximum, or $10 million at March 30, 2012. When the account is paid, the remaining 10% is paid to us, less the applicable fees and interest. Net accounts receivable sold pursuant to this agreement at March 30, 2012 were approximately $6.0 million. As of the date of this filing, the term of the agreement is for the period ending April, 2014,. The agreement bears interest at the greater of the prime rate plus 2.5% or the London Interbank Offered Rate plus 5.5%, with a floor of 6.25%, per annum. At March 30, 2012 the effective interest rate was 6.25%. Interest is payable on the actual amount advanced or $3 million, whichever is greater. Additional charges include an annual facility fee equal to one percent of the facility threshold in place, a monthly monitoring fee of $5,000, and lockbox fees. As collateral for repayment of any and all obligations, we granted Wells Fargo Bank, N.A. a security interest in all our property, including, but not limited to, accounts, intangible assets, contract rights, investment property, deposit accounts, and other such assets.

Acquisitions and Successor Liability: In January, 2012, through our wholly-owned and newly formed subsidiary Disaster Recovery Services, Inc., we entered into an asset purchase agreement with DR Services of Louisiana, LLC, a Louisiana Limited Liability Company, Environmental Resource Group, LLC, a Louisiana limited liability company, and their members (collectively *DRS*). Under the terms of the asset purchase agreement with DRS, we acquired substantially all of their assets in exchange for $300,000 and 1.5 million shares of our restricted common stock valued at $390,000. There is also contingent fee due of up to an additional 1.5 million shares of our restricted common stock based on certain enumerated operating performance standards over the next 2 years, which were valued at $851,727. The amounts of the assets acquired at the acquisition date include tangible property valued at $90,015, other identifiable intangible assets valued at $644,926, and goodwill of $806,786.

The fair value of the 1.5 million shares issued was determined based on the closing price of our common stock on the date of issuance. The fair value of the contingent shares to be issued was determined based upon a binomial model where we estimated future amounts of variables in the formula that determines the number of shares to be issued.

As part of the agreement, the owners of DRS entered into employment agreements with us with a term of one year in which we agree to pay them an annual salary, performance related bonuses, and a vehicle allowance. Also as part of the agreement, the owners of DRS entered into non-compete agreements with a term of two years.

Prior to the agreement, DRS had subcontracted with us to provide temporary employment services in various disaster relief projects, such as flood recovery work in several states.

In May and June 2006, we acquired operating assets for a number of temporary staffing stores. The entities that owned and operated these stores received stock in consideration of the transaction. As operating businesses prior to our acquisition, each entity incurred obligations for payroll withholding taxes, workers' compensation insurance fund taxes, and other liabilities. We structured the acquisition as an asset purchase and agreed to assume only the liability for each entity's accounts receivable financing line of credit. We also obtained representations that liabilities for payroll taxes and other liabilities not assumed by us would be paid by the entities and in each case those entities are contractually committed to indemnify and hold harmless the Company from unassumed liabilities.

Since the acquisitions, it has come to our attention that certain tax obligations incurred on operations prior to our acquisitions have not been paid. The entities that sold us the assets (the *selling entities*) are primarily liable for these obligations. The owners of the selling entities may also be liable. In most cases, the selling entities were owned or controlled by Glenn Welstad, our CEO.

Based on the information currently available, we estimate that the total state payroll and other tax liabilities owed by the selling entities is between $400,000 and $600,000 and that total payroll taxes due to the Internal Revenue Service (IRS) is between $1 and $2 million.

The asset purchase agreements governing these transactions requires that the selling entities indemnify us for any liabilities or claims we incur as a result of these predecessor tax liabilities. We have also secured an indemnification agreement from Glenn Welstad with a partial pledge of his common stock.

We have not accrued any liability related to these claims for state payroll taxes and total payroll taxes due to the IRS because we have been advised by outside legal counsel that the likelihood of successor liability for these claims is remote. We would be adversely affected if the state or federal government was able to establish we are liable for these claims.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1937, as amended, which we refer to as the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, our chief executive officer and chief financial officer have concluded that, as of the end of such period, these controls and procedures are not effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange commission's rules and forms. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no change in our internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our last fiscal quarter that has materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In September of 2011, we were served with a lawsuit filed against us by Dun & Bradstreet (*D&B*). The suit alleges that D&B provided financial information and services to us on account pursuant to a written order and seeks to recover $247,000. We have denied the material allegations of the case; pretrial discovery has not yet commenced. Based upon the limited information available at this early stage of this suit, management projects that a reasonable estimate of its liability in this case is approximately $50,000. Accordingly, we have recorded a reserve of $50,000 for this potential liability.

In December, 2011, Mr. Jeff Mitchell, our former Chief Financial Officer (Plaintiff), filed a lawsuit in Kootenai County, Idaho against us and Mr. Glenn Welstad, our CEO, alleging breach of contract, failure to pay wages, and for director's liability. Plaintiff is seeking damages, interest, and attorney's fees. We vehemently disagree with Plaintiff's allegations and intend to vigorously defend this lawsuit.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES

On January 3, 2012, we issued 1.5 million shares of common stock valued at $390,000 as part of the consideration given for DRS, LLC.

On March 20, 2012, we issued 18,000 shares of common stock to James Caplan for services valued at $6,300. Also on March 20, 2012, we issued 18,000 shares of common stock to Victor Nostras for services valued at $6,300.

We believe these securities transaction were exempt from registration requirements of the Securities Act of 1933, as amended, (the *Act*) because they were offered and sold in private, non-public transactions pursuant to Section 4(2) of the Act and are deemed restricted securities which may not be publicly resold, without registration under the Act or unless exempt from the registration requirements.

ITEM 3. DEFAULT ON SENIOR SECURITIES

Not applicable.

ITEM 4. REMOVED AND RESERVED.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibit No.	Description
31.1	Certification of Glenn Welstad, Chief Executive Officer of Command Center, Inc. pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Ralph E. Peterson, Chief Financial Officer of Command Center, Inc. pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Glenn Welstad, Chief Executive Officer of Command Center, Inc. pursuant to 18 U.S.C. Section 1350, as adopted in Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Ralph E. Peterson, Chief Financial Officer of Command Center, Inc. pursuant to 18 U.S.C. Section 1350, as adopted in Section 906 of the Sarbanes-Oxley Act of 2002.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMMAND CENTER, INC.

/s/Glenn Welstad	President and CEO	Glenn Welstad	May 14, 2012
Signature	Title	Printed Name	Date
/s/Ralph E. Peterson	CFO, Principal Financial Officer	Ralph E. Peterson	May 14, 2012
Signature	Title	Printed Name	Date

EXHIBIT 31.1

CERTIFICATIONS

I, Glenn Welstad, President and Chief Executive officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Command Center, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15(e) for the registrant and we have:

   a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of this annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 14, 2012

/s/Glenn Welstad
Glenn Welstad
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Ralph E. Peterson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Command Center, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15(e) for the registrant and we have:

   a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of this annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 14, 2012

/s/ Ralph E. Peterson
Ralph E. Peterson
Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Command Center, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2011, to be filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Glenn Welstad, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods covered by the Report.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

Dated: May 14, 2012

/s/Glenn Welstad
Glenn Welstad
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Command Center, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2011 to be filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Ralph E. Peterson, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods covered by the Report.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

Dated: May 14, 2012

/s/ Ralph E. Peterson
Ralph E. Peterson
Chief Financial Officer