

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Command Center, Inc.

Form: 10-Q

Date Filed: 2017-05-15

Corporate Issuer CIK: 1140102

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 31, 2017

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

(State of other jurisdiction of incorporation or organization)

91-2079472

(I.R.S. Employer Identification No.)

3609 S Wadsworth Blvd., Suite 250

Lakewood CO

(Address of Principal Executive Offices)

80235

(Zip Code)

(866) 464-5844

(Registrant's Telephone Number, including Area Code).

Indicate by check mark 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 filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) 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 at May 12, 2017: 60,634,650

FORM 10-Q
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Command Center, Inc.
Consolidated Condensed Balance Sheets

| | March 31, | December 30, |
|--|----------------------|----------------------|
| | 2017 | 2016 |
| | (Unaudited) | |
| Assets | | |
| Current Assets | | |
| Cash | \$ 3,751,904 | \$ 3,022,741 |
| Restricted cash | 1,469 | 24,676 |
| Accounts receivable, net of allowance for doubtful accounts of \$918,270 and \$899,395, respectively | 9,467,745 | 10,287,456 |
| Prepaid expenses, deposits, and other | 571,633 | 631,873 |
| Prepaid workers' compensation | 280,790 | 745,697 |
| Other receivables | 705,050 | 115,519 |
| Current portion of workers' compensation risk pool deposits | <u>404,312</u> | <u>404,327</u> |
| Total Current Assets | 15,182,903 | 15,232,289 |
| Property and equipment, net | 399,432 | 432,857 |
| Deferred tax asset | 2,200,153 | 2,316,774 |
| Workers' compensation risk pool deposits, less current portion, net | 2,006,813 | 2,006,813 |
| Goodwill and other intangible assets, net | <u>4,252,102</u> | <u>4,307,611</u> |
| Total Assets | <u>\$ 24,041,403</u> | <u>\$ 24,296,344</u> |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities | | |
| Accounts payable | 398,955 | 762,277 |
| Checks issued and payable | 98,837 | 98,837 |
| Other current liabilities | 482,403 | 297,089 |
| Accrued wages and benefits | 1,428,349 | 1,567,585 |
| Current portion of workers' compensation premiums and claims liability | <u>1,050,205</u> | <u>1,101,966</u> |
| Total Current Liabilities | 3,458,749 | 3,827,754 |
| Long-Term Liabilities | | |
| Workers' compensation claims liability, less current portion | <u>1,526,441</u> | <u>1,604,735</u> |
| Total Liabilities | <u>4,985,190</u> | <u>5,432,489</u> |
| Commitments and Contingencies (See Note 10) | | |
| Stockholders' Equity | | |
| Preferred stock - \$0.001 par value, 5,000,000 shares authorized, none issued and outstanding | - | - |
| Common stock - 100,000,000 shares, \$0.001 par value, authorized; 60,634,650 shares issued and outstanding | 60,634 | 60,634 |
| Additional paid-in-capital | 56,384,531 | 56,374,625 |
| Accumulated deficit | <u>(37,388,952)</u> | <u>(37,571,404)</u> |
| Total Stockholders' Equity | 19,056,213 | 18,863,855 |
| Total Liabilities and Stockholders' Equity | <u>\$ 24,041,403</u> | <u>\$ 24,296,344</u> |

The accompanying notes are an integral part of these consolidated condensed financial statements.

Command Center, Inc.
Consolidated Condensed Statements of Income
(Unaudited)

| | Thirteen | Thirteen |
|---|-----------------------|-----------------------|
| | Weeks Ended | Weeks Ended |
| | March 31, 2017 | March 25, 2016 |
| Revenue | \$ 22,348,249 | \$ 19,066,524 |
| Cost of staffing services | 16,610,015 | 14,349,976 |
| Gross profit | 5,738,234 | 4,716,548 |
| Selling, general, and administrative expenses | 5,343,607 | 5,171,825 |
| Depreciation and amortization | 95,550 | 39,334 |
| Income (loss) from operations | 299,077 | (494,611) |
| Interest expense and other financing expense | 4 | 40,381 |
| Net income (loss) before income taxes | 299,073 | (534,992) |
| Provision for income taxes | 116,621 | 3,769 |
| Net income (loss) | <u>\$ 182,452</u> | <u>\$ (538,761)</u> |
| Earnings per share: | | |
| Basic | <u>\$ 0.00</u> | <u>\$ (0.01)</u> |
| Diluted | <u>\$ 0.00</u> | <u>\$ (0.01)</u> |
| Weighted average shares outstanding: | | |
| Basic | 60,634,650 | 64,169,712 |
| Diluted | 61,365,419 | 64,169,712 |

The accompanying notes are an integral part of these consolidated condensed financial statements.

Command Center, Inc.
Consolidated Condensed Statement of Changes in Stockholders' Equity
(Unaudited)

| | <u>Common Stock</u> | | <u>Additional</u> | <u>Accumulated</u> | <u>Total</u> |
|-------------------------------------|---------------------|------------------|-------------------------|------------------------|----------------------|
| | <u>Shares</u> | <u>Par Value</u> | <u>Paid-in- Capital</u> | <u>Deficit</u> | |
| Balance at December 30, 2016 | 60,634,650 | \$ 60,634 | \$ 56,374,625 | \$ (37,571,404) | \$ 18,863,855 |
| Stock-based compensation expense | - | - | 9,906 | - | 9,906 |
| Net income for the period | - | - | - | 182,452 | 182,452 |
| Balance at March 31, 2017 | <u>60,634,650</u> | <u>\$ 60,634</u> | <u>\$ 56,384,531</u> | <u>\$ (37,388,952)</u> | <u>\$ 19,056,213</u> |

The accompanying notes are an integral part of these consolidated condensed financial statements.

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

| | Thirteen Weeks Ended March 31, 2017 | Thirteen Weeks Ended March 25, 2016 |
|---|---|---|
| Cash flows from operating activities | | |
| Net income (loss) | \$ 182,452 | \$ (538,761) |
| Adjustments to reconcile net income to net cash provided by operations: | | |
| Depreciation and amortization | 95,550 | 39,334 |
| Bad debt expense | 18,875 | 29,267 |
| Stock based compensation | 9,906 | 131,901 |
| Deferred tax asset | 116,621 | - |
| Changes in assets and liabilities: | | |
| Accounts receivable – trade | 800,836 | (392,522) |
| Prepaid workers' compensation | 464,907 | 338,042 |
| Other receivables | - | (60,000) |
| Prepaid expenses, deposits, and other | 146,087 | (40,478) |
| Workers' compensation risk pool deposits | 15 | 240,885 |
| Accounts payable | (363,322) | (55,560) |
| Checks issued and payable | - | (280,325) |
| Other current liabilities | 185,314 | (99,002) |
| Accrued wages and benefits | (139,236) | (449,002) |
| Workers' compensation premiums and claims liability | (130,055) | (667,220) |
| Net cash (used in) provided by operating activities | <u>1,387,950</u> | <u>(1,803,441)</u> |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (92,463) | (3,738) |
| Net cash used in investing activities | <u>(92,463)</u> | <u>(3,738)</u> |
| Cash flows from financing activities | | |
| Changes to account purchase agreement facility | (589,531) | (479,616) |
| Purchase of treasury stock | - | (220,499) |
| Net cash used in financing activities | <u>(589,531)</u> | <u>(700,115)</u> |
| Net increase (decrease) in cash | 705,956 | (2,507,294) |
| Cash and restricted cash at beginning of period | <u>3,047,417</u> | <u>7,629,424</u> |
| Cash and restricted cash at end of period | <u>\$ 3,753,373</u> | <u>\$ 5,122,130</u> |
| Supplemental disclosure of cash flow information | | |
| Interest paid | \$ 4 | \$ 40,381 |
| Income taxes paid | \$ 912 | \$ 3,769 |

The accompanying notes are an integral part of these consolidated condensed financial statements.

Command Center, Inc.
Notes to Consolidated Condensed Financial Statements

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited consolidated condensed financial statements have been prepared by Command Center, Inc. ("Command Center," the "Company," "CCI," "we," "us," or "our") in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial reporting and rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP 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.

These financial statements should be read in conjunction with the audited financial statements and related notes included in our Annual Report filed on Form 10-K for the year ended December 30, 2016. The results of operations for the thirteen weeks ended March 31, 2017 are not necessarily indicative of the results expected for the full fiscal year, or for any other fiscal period.

Consolidation: The consolidated financial statements include the accounts of Command Center and all of our wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates: The preparation of consolidated financial statements in conformity with GAAP requires us 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the provision for doubtful accounts, workers' compensation risk pool deposits, and workers' compensation claims liability.

Cash: Cash consists of demand deposits, including interest-bearing accounts with original maturities of three months or less, held in banking institutions and a trust account.

Concentrations: At March 31, 2017, 11.4% of our revenue was attributable to a single customer. No single customer represented more than 10% of our revenue for the quarter ended March 25, 2016. At March 31, 2017, two vendors accounted for 23.3% and 10.8% of our accounts payable balance. At December 30, 2016, 20.6% of accounts payable were due to a single vendor.

Fair Value Measures: Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in the principal or most advantageous market for the asset or liability in an ordinary transaction between market participants on the measurement date. Our policy on fair value measures requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The policy establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The policy prioritizes the inputs into three levels that may be used to measure fair value:

Level 1: Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2: Applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3: Applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Our financial instruments consist principally of a contingent liability. For additional information see *Note 10 – Commitments and Contingencies*.

Recent Accounting Pronouncements: In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-15 requiring management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern, which is currently performed by the external auditors. Management is required to perform this assessment for both interim and annual reporting periods and must make certain disclosures if it concludes that substantial doubt exists. This ASU was effective in the fourth quarter of 2016. The adoption of this guidance did not have a material effect on our financial statements.

In May 2014, the FASB issued new revenue recognition guidance under ASU 2014-09 that will supersede the existing revenue recognition guidance under U.S. GAAP. The new standard focuses on creating a single source of revenue guidance for revenue arising from contracts with customers for all industries. The objective of the new standard is for companies to recognize revenue when it transfers the promised goods or services to its customers at an amount that represents what the company expects to be entitled to in exchange for those goods or services. In July 2015, the FASB deferred the effective date by one year (ASU 2015-14). This ASU will now be effective for annual periods, and interim periods within those annual periods, beginning on or after December 15, 2017. Early adoption is permitted, but not before the original effective date of December 15, 2016. Since the issuance of the original standard, the FASB has issued several other subsequent updates including the following: 1) clarification of the implementation guidance on principal versus agent considerations (ASU 2016-08); 2) further guidance on identifying performance obligations in a contract as well as clarifications on the licensing implementation guidance (ASU 2016-10); 3) rescission of several SEC Staff Announcements that are codified in Topic 605 (ASU 2016-11); and 4) additional guidance and practical expedients in response to identified implementation issues (ASU 2016-12). The new standard will be effective for us beginning January 1, 2018 and we expect to implement the standard with the modified retrospective approach, which recognizes the cumulative effect of application recognized on that date. We are evaluating the impact of adoption on our consolidated results of operations, consolidated financial position and cash flows.

In February 2016, the FASB issued ASU 2016-02 amending the existing accounting standards for lease accounting and requiring lessees to recognize lease assets and lease liabilities for all leases with lease terms of more than 12 months, including those classified as operating leases. Both the asset and liability will initially be measured at the present value of the future minimum lease payments, with the asset being subject to adjustments such as initial direct costs. Consistent with current U.S. GAAP, the presentation of expenses and cash flows will depend primarily on the classification of the lease as either a finance or an operating lease. The new standard also requires additional quantitative and qualitative disclosures regarding the amount, timing and uncertainty of cash flows arising from leases in order to provide additional information about the nature of an organization's leasing activities. This ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018 and requires modified retrospective application. Early adoption is permitted. We are currently evaluating the impact of the new guidance on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued Accounting Standards Update 2016-09 amending several aspects of share-based payment accounting. This guidance requires all excess tax benefits and tax deficiencies to be recorded in the income statement when the awards vest or are settled, with prospective application required. The guidance also changes the classification of such tax benefits or tax deficiencies on the statement of cash flows from a financing activity to an operating activity, with retrospective or prospective application allowed. Additionally, the guidance requires the classification of employee taxes paid when an employer withholds shares for tax-withholding purposes as a financing activity on the statement of cash flows, with retrospective application required. This ASU was effective for the fourth quarter of 2016. The adoption of this guidance did not have a material effect on our financial statements.

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): *Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* ("ASU 2016-08"). ASU 2016-08 does not change the core principle of Topic 606 but clarifies the implementation guidance on principal versus agent considerations. ASU 2016-08 is effective for the annual and interim periods beginning after December 15, 2017. We are currently assessing the potential impact of ASU 2016-08 on our consolidated financial statements and results of operations.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230) Restricted Cash." The new guidance requires that the reconciliation of the beginning-of-period and end-of-period amounts shown in the statement of cash flows include restricted cash and restricted cash equivalents. If restricted cash is presented separately from cash and cash equivalents on the balance sheet, companies will be required to reconcile the amounts presented on the statement of cash flows to the amounts on the balance sheet. Companies will also need to disclose information about the nature of the restrictions. The guidance is effective for fiscal years beginning after December 15, 2017, and the interim periods within those fiscal years. The adoption of this guidance did not have a material effect on our financial statements.

Other accounting standards that have been issued by the Financial Accounting Standards Board or other standards-setting bodies are not expected to have a material impact on our financial position, results of operations and cash flows. For the period ended March 31, 2017, the adoption of other accounting standards had no material impact on our financial positions, results of operations, or cash flows.

NOTE 2 – 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, except where their inclusion would be anti-dilutive. Total outstanding common stock equivalents at March 31, 2017 and March 25, 2016, were 2,366,500 and 3,633,500 respectively.

Diluted common shares outstanding were calculated using the treasury stock method and are as follows:

| | Thirteen Weeks Ended March 31, 2017 | Thirteen Weeks Ended March 25, 2016 |
|--|---|---|
| Weighted average number of common shares used in basic net income per common share | 60,634,650 | 64,169,712 |
| Dilutive effects of stock options | 730,769 | - |
| Weighted average number of common shares used in diluted net income per common share | 61,365,419 | 64,169,712 |

NOTE 3 – ACCOUNT PURCHASE AGREEMENT & LINE OF CREDIT FACILITY

Our current financing agreement is an account purchase agreement which allows us to sell eligible accounts receivable for 90% of the invoiced amount on a full recourse basis up to the facility maximum, \$14 million on March 31, 2017 and December 30, 2016. When the account is paid by our customers, the remaining 10% is paid to us, less applicable fees and interest. Eligible accounts receivable are generally defined to include accounts that are not more than ninety days past due.

Pursuant to this agreement, at March 31, 2017, there was approximately \$703,000 that was owed to us and at December 30, 2016, there was approximately \$114,000 that was owed to us and included in Other receivables on the Consolidated Condensed Balance Sheet.

In May 2016, we signed a new account purchase agreement with our lender, Wells Fargo Bank, N.A. The current agreement bears interest at the Daily One Month London Interbank Offered Rate plus 2.5% per annum. At March 31, 2017, the effective interest rate was 3.5%. Interest is payable on the actual amount advanced. Additional charges include an annual facility fee equal to 0.50% of the facility threshold in place 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, deposit accounts, and other such assets. Under our account purchase agreement, our borrowing base is limited to 90% of acceptable accounts as defined in the agreement, less the amount of outstanding letters of credit. At March 31, 2017, the amount available to us under the Wells Fargo agreement was approximately \$92,000.

As of March 31, 2017, we had a \$5.7 million letter of credit with Wells Fargo that secures our obligations to our workers' compensation insurance carrier and reduces the amount available to us under the account purchase agreement. For additional information related to this letter of credit see *Note 6 – Workers' Compensation Insurance and Reserves*. On April 7, 2017, this letter of credit was increased to \$6.0 million.

The agreement requires that the sum of our unrestricted cash plus net accounts receivable must at all times be greater than the sum of the amount outstanding under the agreement plus accrued payroll and accrued payroll taxes. At March 31, 2017, and December 30, 2016, we were in compliance with this covenant.

NOTE 4 – ACQUISITION

On June 3, 2016, we purchased substantially all the assets of Hanwood Arkansas, LLC, an Arkansas limited liability company, and Hanwood Oklahoma, LLC, an Oklahoma limited liability company. Together these companies operated as Hancock Staffing ("Hancock") from stores located in Little Rock, Arkansas and Oklahoma City, Oklahoma. We acquired all of the assets used in connection with the operation of the two staffing stores. In addition, we assumed liabilities for future payments due under the leases for the two stores, amounts owed on motor vehicles acquired, and the amount due on their receivables factoring line.

The aggregate consideration paid for Hancock was \$2,617,185, paid as follows: (i) cash of \$1,980,000; (ii) an unsecured one-year holdback obligation of \$220,000; and (iii) assumed liabilities of \$417,185.

In connection with the acquisition of Hancock, we identified and recognized an intangible asset of \$659,564 representing customer relationships and employment agreements/non-compete agreements. The customer relationships are being amortized on a straight line basis over their estimated life of four (4) years, the non-compete agreement is amortized over its two-year term. During the quarter ended March 31, 2017, we recognized amortization expense of approximately \$56,000. At March 31, 2017, the intangible asset balance, net of accumulated amortization, was \$474,534.

The final purchase accounting is still being finalized; however, the following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition, which have now been recorded in the financial statements as of March 31, 2017:

| | |
|---------------------|---------------------|
| Assets: | |
| Current assets | \$ 587,833 |
| Fixed assets | 92,220 |
| Intangible assets | 659,564 |
| Goodwill | 1,277,568 |
| | <u>\$ 2,617,185</u> |
| Liabilities: | |
| Current liabilities | \$ 637,185 |
| Net purchase price | <u>\$ 1,980,000</u> |

The following table summarizes the pro forma operations had the entities been acquired at the beginning of 2016 in the Consolidated Statements of Income (in thousands):

| | |
|------------------------------|--|
| | Thirteen Weeks Ended March 25, 2016 |
| Revenue | <u>\$ 21,001</u> |
| Net income before income tax | \$ (13) |
| Income tax | \$ 101 |
| Net income | <u>\$ (114)</u> |

NOTE 5 – GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets are stated net of accumulated amortization. The following table summarizes the goodwill and intangible asset balances:

| | | |
|---|---------------------------|------------------------------|
| | March 31, 2017 | December 30, 2016 |
| Goodwill | \$ 3,777,568 | \$ 3,777,568 |
| Intangible assets | 659,564 | 659,564 |
| Accumulated amortization | (185,030) | (129,521) |
| Goodwill and other intangible assets, net | <u>\$ 4,252,102</u> | <u>\$ 4,307,611</u> |

Total amortization expense for the thirteen weeks ended March 31, 2017 was \$55,509. There was no amortization expense for the thirteen weeks ended March 25, 2016.

NOTE 6 – WORKERS' COMPENSATION INSURANCE AND RESERVES

On April 1, 2014, we changed our workers' compensation carrier to ACE American Insurance Company ("ACE") in all states in which we operate other than Washington and North Dakota. The ACE insurance policy is a large deductible policy where we have primary responsibility for all claims made. ACE provides insurance for covered losses and expenses in excess of \$500,000 per incident. Under this high deductible program, we are largely self-insured. Per our contractual agreements with ACE, we must provide a collateral deposit of \$6.0 million, which is accomplished through a letter of credit under our Account Purchase Agreement with Wells Fargo. For workers' compensation claims originating in Washington and North Dakota, we pay workers' compensation insurance premiums and obtain full coverage under mandatory state government administered programs. Generally, our liability associated with claims in these jurisdictions is limited to the payment of premiums. In the past, we also obtained full coverage in the state of New York under a policy issued by the State Fund of New York. Accordingly, our consolidated financial statements reflect only the mandated workers' compensation insurance premium liability for workers' compensation claims in these jurisdictions.

From April 1, 2012 to March 31, 2014, our workers' compensation carrier was Dallas National Insurance in all states in which we operate other than Washington, North Dakota and New York. The Dallas National coverage was a large deductible policy where we have primary responsibility for claims under the policy. Dallas National provided insurance for covered losses and expenses in excess of \$350,000 per incident. Per our contractual agreements with Dallas National, we made payments into, and maintain a balance of \$1.8 million as a non-depleting deposit as collateral for our self-insured claims. During the period, Dallas National arranged with Companion Insurance (now Sussex Insurance) to underwrite coverage in California and South Dakota. As a result of this arrangement, Sussex Insurance continues to hold a collateral deposit advanced by us of \$215,00.

From April 1, 2011 to March 31, 2012, our workers' compensation coverage was obtained through Zurich American Insurance Company ("Zurich"). The policy with Zurich was a guaranteed cost plan under which all claims are paid by Zurich. Zurich provided workers' compensation coverage in all states in which we operate other than Washington and North Dakota.

Prior to Zurich, we maintained workers' compensation policies through AMS Staff Leasing II ("AMS") for coverage in the non-monopolistic jurisdictions in which we operate. The AMS coverage was a large deductible policy where we have primary responsibility for claims under the policy. Under the AMS policies, we made payments into a risk pool fund to cover claims within our self-insured layer. Per our contractual agreements for this coverage, we were originally required to maintain a deposit in the amount of \$500,000. At March 31, 2017, our deposit with AMS was approximately \$480,000.

For the two-year period prior to May 13, 2008, our workers' compensation coverage was obtained through policies issued by AIG. At March 31, 2017, our risk pool deposit with AIG was approximately \$400,000.

As part of our large deductible workers' compensation programs, our carriers require that we collateralize a portion of our future workers' compensation obligations in order to secure future payments made on our behalf. This collateral is typically in the form of cash and cash equivalents. At March 31, 2017 and December 30, 2016, we had net cash collateral deposits of approximately \$2.4 million. With the addition of the \$5.7 million letter of credit, our cash and non-cash collateral totaled approximately \$8.1 million at March 31, 2017. The letter of credit increased to \$6.0 million on April 7, 2017. The workers' compensation risk pool deposits total \$2.4 million as of March 31, 2017, consisting of a current portion of \$0.4 million and a long-term portion of \$2.0 million. The long-term portion of the risk pool deposits is net of an allowance of \$0.5 million, which is determined to be impaired. This allowance is to reserve for the possibility that we would not recover all of our risk pool deposits that we placed with our former workers' compensation insurance carrier, Freestone Insurance (formerly Dallas National Insurance Company). Freestone Insurance was placed in receivership by the State of Delaware in 2014. We continue to believe that we have a priority claim for the return of our collateral. However, the amount that will ultimately be returned to us is still uncertain. See *Note 10 – Commitments and Contingencies*, for additional information on cash collateral provided to Freestone Insurance Company.

Workers' compensation expense for temporary workers is recorded as a component of our cost of services and consists of the following components: changes in our self-insurance reserves as determined by our third party actuary, actual claims paid, insurance premiums and administrative fees, and premiums paid in monopolistic jurisdictions. Workers' compensation expense for our temporary workers totaled approximately \$0.8 million for each of the thirteen week periods ended March 31, 2017 and March 25, 2016.

The workers' compensation risk pool deposits are classified as current and non-current assets on the consolidated balance sheet based upon management's estimate of when the related claims liabilities will be paid. The deposits have not been discounted to present value in the accompanying consolidated financial statements. All liabilities associated with our workers' compensation claims are fully reserved on our consolidated balance sheet.

NOTE 7 – STOCK BASED COMPENSATION

Employee Stock Incentive Plan: Our 2008 Stock Incentive Plan expired in January 2016. Outstanding awards continue to remain in effect according to the terms of the plan and the award documents. The 2008 Stock Incentive Plan permitted the grant of up to 6.4 million stock options in order to motivate, attract and retain the services of employees, officers and directors, and to provide an incentive for outstanding performance. Pursuant to awards under this plan, there were 2,104,000 and 1,860,500 vested at March 31, 2017 and December 30, 2016, respectively. As of March 31, 2017, we had one equity compensation plan, namely the *Command Center, Inc. 2016 Stock Incentive Plan*, approved by the shareholders on November 17, 2016. Pursuant to the 2016 Plan, the Compensation Committee is authorized to issue awards for up to 6.0 million shares over the 10 year life of the plan. Currently, there have been no awards granted under this plan.

The following table summarizes our stock options outstanding at December 30, 2016 and changes during the period ended March 31, 2017:

| | Number of Shares Under Options | Weighted Average Exercise Price Per Share | Weighted Average Grant Date Fair Value |
|-------------------------------|--------------------------------------|---|--|
| Outstanding December 30, 2016 | 2,498,000 | \$ 0.36 | \$ 0.24 |
| Granted | - | - | - |
| Forfeited | - | - | - |
| Expired | (131,500) | 0.41 | 0.33 |
| Exercised | - | - | - |
| Outstanding March 31, 2017 | <u>2,366,500</u> | <u>\$ 0.36</u> | <u>\$ 0.23</u> |

The following table summarizes our non-vested stock options outstanding at December 30, 2016, and changes during the period ended March 31, 2017:

| | Number of Options | Weighted Average Exercise Price Per Share | Weighted Average Grant Date Fair Value |
|------------------------------|----------------------|---|--|
| Non-vested December 30, 2016 | 637,500 | \$ 0.40 | \$ 0.27 |
| Granted | - | - | - |
| Vested | (375,000) | 0.13 | 0.10 |
| Forfeited | - | - | - |
| Non-vested March 31, 2017 | <u>262,500</u> | <u>\$ 0.69</u> | <u>\$ 0.37</u> |

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 31, 2017:

| | Number of Shares Under Options | Weighted Average Exercise Price Per Share | Weighted Average Remaining Contractual Life (years) | Aggregate Intrinsic Value |
|-------------|-----------------------------------|---|--|---------------------------------|
| Outstanding | 2,366,500 | \$ 0.36 | 5.08 | \$ 279,000 |
| Exercisable | 2,104,000 | \$ 0.32 | 5.14 | \$ 279,000 |

| Range of exercise prices | Options Outstanding | | Options Exercisable | |
|--------------------------|---------------------------------|--------------------------------------|---------------------------------|--------------------------------------|
| | Number of Shares Outstanding | Weighted Average Contractual Life | Number of Shares Exercisable | Weighted Average Contractual Life |
| 0.20 – 0.41 | 1,686,500 | 3.75 | 1,686,500 | 4.22 |
| 0.67 – 0.73 | 680,000 | 1.33 | 417,500 | 0.92 |
| | <u>2,366,500</u> | <u>5.08</u> | <u>2,104,000</u> | <u>5.14</u> |

Under the employment agreement entered into with our CFO on September 2, 2016, we are obligated to award to her unvested options to acquire 500,000 shares of Command Center common stock. When granted, the options will vest in four equal installments of 125,000 shares each. As of March 31, 2017, and also as of the date of this report, the options have not yet been granted.

NOTE 8 – STOCKHOLDERS' EQUITY

Stock Repurchase: In April 2015, the Board of Directors authorized a \$5.0 million three year repurchase of our common stock. During the thirteen weeks ended March 31, 2017, we did not purchase any shares of common under the plan. We have approximately \$2.1 million remaining under the plan.

NOTE 9 – INCOME TAX

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred taxes generally consists of net operating loss, accrued vacation, workers' compensation claims liability, depreciation, bad debt reserve, deferred rent, stock compensation, charitable contributions, AMT credit, and other accruals.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

We presently lease office space for our corporate headquarters in Lakewood, Colorado. In April 2015, we executed the lease on this facility for a sixty-four month term, beginning September 1, 2015 and expiring December 31, 2020, with an option to renew for two additional five-year extensions. We currently pay approximately \$11,142 per month for our office space with annual increases of approximately 3% which include typical triple net charges for property taxes, insurance and maintenance. We own all of the office furniture and equipment used in our corporate headquarters.

We also lease the facilities for all of our store locations. All of these facilities are leased at market rates that vary in amount depending on location. Each store is between 1,000 and 5,000 square feet, depending on location and market conditions.

Operating leases: We lease store facilities, vehicles, and equipment. Most of our store leases have terms that extend over three to five years. Some of the leases have cancellation provisions that allow us to cancel with 90 days' notice. Other leases have been in existence long enough that the term has expired and we are currently occupying the premises on month-to-month tenancies. Minimum lease obligations for the next five fiscal years as of March 31, 2017, are:

| <u>Year</u> | <u>Operating Lease Obligation</u> |
|-----------------|---------------------------------------|
| 2017 (9 months) | \$ 619,324 |
| 2018 | 585,774 |
| 2019 | 385,785 |
| 2020 | 217,950 |
| 2021 | - |
| Thereafter | - |
| | <u>\$ 1,808,833</u> |

Total lease expense for each of the fiscal quarters ended March 31, 2017 and March 25, 2016, was approximately \$0.4 million.

Legal Proceedings: From time to time we are involved in various legal proceedings. We believe that the outcome of these proceedings, even if determined adversely, will not have a material adverse effect on our business, financial condition or results of operations. There have been no material changes in our legal proceedings since March 31, 2017.

Freestone Insurance Company Liquidation: For the two-year period prior to April 1, 2014, our workers' compensation insurance coverage was provided by Dallas National Insurance under a high deductible policy in which we are responsible for the first \$350,000 per incident. During this time period, Dallas National changed its corporate name to Freestone Insurance Company. Under the terms of the policy we were required to provide cash collateral of \$900,000 per year for a total of \$1.8 million, as a non-depleting fund to secure our payment of anticipated claims up to the policy deductible. We are ultimately responsible for paying costs of claims that occur during the term of the policy, up to the deductible amount. In January 2014, Freestone Insurance provided written confirmation to us that it continued to hold \$1.8 million of Command funds as collateral and stated that an additional \$200,000 was held at another insurance provider for a total of \$2.0 million. In April 2014, the State of Delaware placed Freestone Insurance in receivership due to concerns about its financial condition. On August 15, 2014, the receivership was converted to a liquidation proceeding. The receiver distributed pending individual claims for workers' compensation benefits to the respective state guaranty funds for administration. In many cases, the state guaranty funds have made payments directly to the claimants. In other situations we have continued to pay claims that are below the deductible level and we are not aware of any pending claims from this time period that exceed or are likely to exceed our deductible.

From about July 1, 2008 until April 1, 2011, in most states our workers' compensation coverage was provided under an agreement with AMS Staff Leasing II, through a master policy with Dallas National. During this time period, we deposited approximately \$500,000 with an affiliate of Dallas National for collateral related to the coverage through AMS Staff Leasing II. Claims that remain open from this time period have also been distributed by the receiver to the state guaranty funds. In one instance, the State of Minnesota has denied liability for payment of a workers' compensation claim that arose in 2010 and is in excess of our deductible. In the first quarter of 2016 we settled the individual workers' compensation case and we ultimately withdrew our legal challenge to the state's denial of liability.

During the second quarter of 2015, the receiver requested court authorization to disburse funds to the state guaranty funds. We and other depositors of collateral with Freestone objected and asked the court to block the disbursements until a full accounting of the assets and liabilities of Freestone is provided. Distribution of funds by the receiver to the state guaranty funds remains on hold. As a result of these developments, during the second quarter of 2015 and the first quarter of 2016 we recorded reserves of \$250,000 on the deposit balance, for a total reserve of \$500,000. We review these deposits at each balance sheet date and as of March 31, 2017, we did not need to make an adjustment to our deposit balance.

On July 5, 2016, the receiver filed the First Accounting for the period April 28, 2014 through December 31, 2015, with the Delaware Court of Chancery. The First Accounting does not clarify the issues with respect to the collateral claims, priorities and return of collateral. In the accounting, the Receiver reports total assets consisting of cash and cash equivalents of \$87.7 million as of December 31, 2015.

In late 2015, we filed timely proofs of claim with the receiver. One proof of claim is filed as a priority claim seeking return of the full amount of our collateral deposits. The other proof of claim is a general claim covering non-collateral items. We believe that our claim to the return of our collateral is a priority claim in the liquidation proceeding and that our collateral should be returned to us. However, if it is ultimately determined that our claim is not a priority claim or if there are insufficient assets in the liquidation to satisfy the priority claims, we may not receive any or all of our collateral.

In April 2017, the Chancery Court in the state of Delaware entered an order directing the receiver to file the collateral procedure petition with the court on or before Friday, May 26, 2017. The collateral procedure petition is described in the order as a "petition to seek approval of the procedure for administering claims against the Freestone estate for collateral allegedly held by Freestone."

NOTE 11 – SUBSEQUENT EVENTS

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements: This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements regarding industry trends, our future financial position and performance, business strategy, revenues and expenses in future periods, projected levels of growth and other matters that do not relate strictly to historical facts. These statements are often identified by words such as "may," "will," "seeks," "anticipates," "believes," "estimates," "expects," "projects," "forecasts," "plans," "intends," "continue," "could," "should" or similar expressions or variations. These statements are based on the beliefs and expectations of our management based on information currently available. Such forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated by forward-looking statements. Important factors currently known to our management that could cause or contribute to such differences include, but are not limited to, those referenced in our Annual Report on Form 10-K for the year ended December 30, 2016 under Item 1A "Risk Factors." We undertake no obligation to update any forward-looking statements as a result of new information, future events or otherwise.

Overview

We are a staffing company operating primarily in the manual on-demand labor segment of the staffing industry. Our customers range in size from small businesses to large corporations. All of our field team members are employed by us. Most of our work assignments are short term, and many are filled with little notice from our customers. In addition to short and longer term temporary work assignments, we recruit and place workers in temp-to-hire positions.

At May 12, 2017, we owned and operated 65 on-demand labor stores in 21 states.

Results of Operations

The following table reflects operating results for the thirteen week period ended March 31, 2017 compared to the thirteen week period ended March 25, 2016 (in thousands, except per share amounts and percentages) and serves as the basis for the narrative that follows. Percentages indicate line items as a percentage of total revenue.

| | Thirteen weeks ended March 31, 2017 | | Thirteen weeks ended March 25, 2016 | |
|---|--|-------|--|--------|
| Total operating revenue | \$ 22,348 | | \$ 19,067 | |
| Cost of staffing services | 16,610 | 74.3% | 14,350 | 75.3% |
| Gross Profit | 5,738 | 25.7% | 4,717 | 24.7% |
| Selling, general, and administrative expenses | 5,343 | 23.9% | 5,172 | 27.1% |
| Depreciation and amortization | 96 | 0.4% | 40 | 0.2% |
| Income (loss) from operations | 299 | 1.3% | (495) | (2.6%) |
| Interest expense and other financing expense | - | 0.0% | 40 | 0.2% |
| Net income (loss) before taxes | 299 | 1.3% | (535) | (2.8%) |
| Provision for income taxes | 117 | 0.5% | 4 | 0.0% |
| Net income (loss) | \$ 182 | 0.8% | \$ (539) | (2.8%) |
| Non-GAAP data | | | | |
| EBITDA | \$ 395 | 1.8% | \$ (455) | (2.4%) |
| Adjusted EBITDA | \$ 405 | 1.8% | \$ (73) | (0.4%) |

Use of non-GAAP Financial Measures

Earnings before interest, taxes, depreciation and amortization, or EBITDA, is a non-GAAP measure that represents net income attributable to us before interest expense, income tax (benefit) expense, depreciation and amortization. Adjusted earnings before interest, taxes, depreciation and amortization, non-cash compensation, and certain non-recurring expenses, or Adjusted EBITDA, is a non-GAAP measure that represents net income attributable to us before interest expense, income tax (benefit) expense, depreciation and amortization, non-cash compensation and certain non-recurring expenses, including reserve for workers' compensation deposit. We utilize EBITDA and Adjusted EBITDA as financial measures as management believes investors find them to be useful tools to perform more meaningful comparisons of past, present and future operating results and as a means to evaluate our results of operations. We believe these metrics are useful complements to net income and other financial performance measures. EBITDA and Adjusted EBITDA are not intended to represent net income as defined by U.S. GAAP, and such information should not be considered as an alternative to net income or any other measure of performance prescribed by GAAP.

We use EBITDA and Adjusted EBITDA to measure our financial performance because we believe interest, taxes, depreciation and amortization, non-cash compensation and certain non-recurring charges, including a reserve for workers' compensation deposit, bear little or no relationship to our operating performance. By excluding interest expense, EBITDA and Adjusted EBITDA measure our financial performance irrespective of our capital structure or how we finance our operations. By excluding taxes on income, we believe EBITDA and Adjusted EBITDA provide a basis for measuring the financial performance of our operations excluding factors that our stores cannot control. By excluding depreciation and amortization expense, EBITDA and Adjusted EBITDA measure the financial performance of our operations without regard to their historical cost. By excluding stock based compensation, Adjusted EBITDA provides a basis for measuring the financial performance of our operations. In addition, by excluding certain nonrecurring charges, Adjusted EBITDA provides a basis for measuring financial performance without unusual nonrecurring charges. For all of these reasons, we believe that EBITDA and Adjusted EBITDA provide us and investors with information that is relevant and useful in evaluating our business.

However, because EBITDA and Adjusted EBITDA exclude depreciation and amortization, they do not measure the capital we require to maintain or preserve our fixed assets. In addition, EBITDA and Adjusted EBITDA do not reflect interest expense, and do not take into account the total amount of interest we pay on outstanding debt, nor do they show trends in interest costs due to changes in our financing or changes in interest rates. EBITDA and Adjusted EBITDA, as defined by us, may not be comparable to EBITDA and Adjusted EBITDA as reported by other companies that do not define EBITDA and Adjusted EBITDA exactly as we define those terms. Because we use EBITDA and Adjusted EBITDA to evaluate our financial performance, we reconcile them to net income, which is the most comparable financial measure calculated and presented in accordance with GAAP.

The following is a reconciliation of net income to EBITDA and Adjusted EBITDA (in thousands) for the periods presented:

| | Thirteen Weeks Ended March 31, 2017 | Thirteen Weeks Ended March 25, 2016 |
|--|---|---|
| Net income (loss) | \$ 182 | \$ (539) |
| Adjustments: | | |
| Interest expense and other financing expense | - | 40 |
| Depreciation and amortization | 96 | 40 |
| Provision for income taxes | 117 | 4 |
| EBITDA | 395 | (455) |
| Non-cash compensation | 10 | 132 |
| Reserve for workers' compensation deposit | - | 250 |
| Adjusted EBITDA | <u>\$ 405</u> | <u>\$ (73)</u> |

Thirteen Weeks Ended March 31, 2017, compared to the Thirteen Weeks Ended March 25, 2016

Summary of Operations: Revenue for the thirteen weeks ended March 31, 2017, was \$22.3 million, an increase of approximately \$3.2 million or 17.2%, from \$19.1 million for the thirteen weeks ended March 25, 2016.

On June 3, 2016, we acquired the assets of Hancock. For the quarter ended March 31, 2017, revenue from the Hancock stores was approximately \$1.7 million or 7.5% of our revenue for the fiscal quarter. Revenue for the quarter ended March 31, 2017, from our stores in North Dakota increased \$63,000 or 3.3% to \$2.0 million from \$1.9 million for the quarter ended March 25, 2016. Revenue from our remaining stores (excluding Hancock and North Dakota) for the quarter ended March 31, 2017, was \$18.7 million, an increase of \$1.6 million or 9.0% compared to the quarter ended March 25, 2016.

Cost of Staffing Services: Cost of staffing services for the thirteen weeks ended March 31, 2017, was \$16.6 million, an increase of approximately \$2.2 million or 15.7%, from \$14.4 million for the thirteen weeks ended March 25, 2016. The increase in cost of staffing services coincides with our increase in revenue described above.

Selling, General and Administrative Expenses, or SG&A: SG&A expenses for the thirteen weeks ended March 31, 2017, increased to \$5.3 million from \$5.2 million for the thirteen weeks ended March 25, 2016. As a percentage of revenue, SG&A expenses for the thirteen weeks ended March 31, 2017, was 23.9% compared to 27.1% for the thirteen weeks ended March 25, 2016. The primary drivers for the decrease as a percentage of revenue were a decrease in salaries expense as a percentage of revenue of approximately 1%, despite salaries expense increasing by approximately \$200,000, stock based compensation decrease as a percentage of revenue by approximately 1%, or \$120,000, and office expenses decrease as a percentage of revenue by approximately 1%, or \$100,000.

Liquidity and Capital Resources

Operating Activities: Cash provided by operating activities totaled \$1.4 million during the thirteen weeks ended March 31, 2017, as compared to cash used by activities of approximately \$1.8 million for the corresponding thirteen week period in 2016. The significant changes in cash provided by operating activities include the net income for the thirteen weeks ended March 31, 2016, of approximately \$182,000 compared to the net loss of approximately \$539,000 for the prior year. Accounts receivable decreased approximately \$801,000 during the thirteen week period ended March 31, 2017, compared to a \$393,000 increase in 2016. Prepaid workers' compensation decreased approximately \$465,000 during the thirteen week period ended March 31, 2017, compared to a decrease of approximately \$338,000 in 2016. Uses of cash in operating activities during the thirteen weeks ended March 31, 2017, included approximately \$363,000 in accounts payable, \$139,000 in accrued wages and benefits, and \$130,000 in workers' compensation premiums and claims liability. Cash used in operating activities during the corresponding thirteen weeks in 2016 included approximately \$280,000 checks issued and payable, \$449,000 accrued wages and benefits, and \$667,000 workers' compensation premiums and claims liability.

Investing Activities: Cash used in investing activities totaled approximately \$92,000 for the thirteen weeks ended March 31, 2017 compared to \$4,000 in 2016. In both periods cash was used to purchase additional property and equipment.

Financing Activities: Cash used in financing activities totaled approximately \$590,000 and \$700,000 during the first thirteen weeks of 2017 and 2016, respectively, and in both periods these uses of cash relate to a reduction in the amount outstanding in our account purchase agreement with Wells Fargo. In addition, we purchased and retired approximately \$220,000 in treasury stock during the first quarter of 2016. There were no purchases of treasury stock in the first quarter of 2017.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Command Center is a "smaller reporting company" as defined by Regulation S-K and as such, is not providing the information contained in this item pursuant to Regulation S-K.

Item 4. Controls and Procedures

(a) *Evaluation of disclosure controls and procedures.* Our Chief Executive Officer and the Chief Financial Officer evaluated our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), prior to the filing of this Form 10-Q. Based on that evaluation, our CEO and CFO concluded that, as of March 31, 2017, our disclosure controls and procedures were effective.

(b) *Changes in internal controls over financial reporting.* There have not been any changes in our internal control over financial reporting during the quarter ended March 31, 2017, which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we are involved in various legal proceedings. We believe that the outcome of these proceedings, even if determined adversely, will not have a material adverse effect on our business, financial condition or results of operations.

Item 1A. Risk Factors

Except as discussed below, there have been no material changes from the risk factors we previously disclosed in our annual report on Form 10-K for the year ended December 30, 2016 filed with the Securities and Exchange Commission on April 11, 2017.

We rely on a number of key customers and if we lose any one of these customers, our revenues may decline.

Although we have a significant number of customers in each of the geographic markets that we operate in, we rely on certain key customers for a significant portion of our revenues. At March 31, 2017, one customer represented 11.4% of revenues. In the future, a small number of customers may represent a significant portion of our total revenues in any given period. These customers may not consistently use our services at a particular rate over any subsequent period. The loss of any of these customers could adversely affect our revenues.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Default on Senior Securities

In the quarter ended March 31, 2017, we did not issue any unregistered securities.

Item 4. Mine Safety Disclosure

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

| Exhibit No. | Description |
|----------------------|---|
| 10.1 | Account Purchase Agreement by and between Command Center, Inc. and Wells Fargo Bank. N.A., dated May 12, 2016. |
| 31.1 | Certification of Frederick Sandford, 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 Colette Pieper, 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 Frederick Sandford, 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 Colette Pieper, 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. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

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.

| | | | |
|--|--|---|-----------------------------|
| <u>/s/ Frederick Sandford</u> Signature | <u>President and CEO</u> Title | <u>Frederick Sandford</u> Printed Name | <u>May 15, 2017</u> Date |
| <u>/s/ Colette Pieper</u> Signature | <u>Principal Accounting Officer</u> Title | <u>Colette Pieper</u> Printed Name | <u>May 15, 2017</u> Date |



ACCOUNT PURCHASE AGREEMENT

THIS ACCOUNT PURCHASE AGREEMENT (such Account Purchase Agreement, together with the Schedules, Riders and Exhibits hereto, as the same may be amended and renewed from time to time, this "**Agreement**") by and among COMMAND CENTER, INC., a Washington corporation having its chief executive office at 3609 S. Wadsworth Blvd., Suite 250, Lakewood, CO 80235 (the "**Client**"), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("**WFB**") is dated as of the Effective Date. Except as set forth in Section 12.1 below, all capitalized terms used in this Agreement are defined in Rider A annexed hereto.

Client has advised WFB that Client desires to offer to sell and assign to WFB certain of Client's Accounts that satisfy the requirements of Acceptable Accounts hereunder. WFB may, in its sole discretion, purchase certain Acceptable Accounts offered for sale and assignment, and all such purchases shall be with full recourse to Client. This Agreement, including the Schedules, Riders and Exhibits annexed hereto, memorializes the terms and conditions under which WFB shall purchase such Acceptable Accounts from Client.

In consideration of the premises and for other good and valuable consideration, the receipt of which is hereby acknowledged, Client and WFB hereby agree as follows:

ARTICLE 1 PURCHASE AND PRICING TERMS

Section 1.1 **Purchase and Assignment of Accounts**

1.1.1 Purchase and Assignment. Client hereby agrees to assign and sell, and does hereby assign and sell, to WFB, as absolute owner, and WFB hereby agrees to purchase, and does hereby purchase, certain Acceptable Accounts of Client selected by WFB for purchase hereunder, without further act or instrument. All purchases of Acceptable Accounts shall be with full recourse to Client. Concurrently with the purchase of each Acceptable Account by WFB, Client shall deliver to WFB an assignment schedule for such Acceptable Account, together with copies of the assigned invoices (or equivalent thereof if Client delivered such invoice to its Customer electronically) and any other information or documentation as requested by WFB in connection with such Acceptable Account.

Section 1.2 **Payment of Purchase Price.** As consideration for the assignment and sale of an Acceptable Account to WFB, WFB shall pay to Client the Purchase Price for such Acceptable Account on the date of purchase thereof. WFB may withhold from the payment of any Purchase Price such Reserves as WFB has established from time to time, in its sole discretion. WFB shall remit to Client payment for an Acceptable Account by crediting the Client Ledger Account.

Section 1.3 **Commercial Disputes; Repurchase of Accounts**

1.3.1 WFB may settle any Commercial Dispute with any Customer; it being acknowledged, that, WFB's general policy is, absent the occurrence of a Default or an Event of Default, to permit Client to settle any such Commercial Dispute. Such settlement does not relieve Client of any Obligation (including the obligation to pay the Repurchase Price) under this Agreement with respect to the Acceptable Account that is subject to the Commercial Dispute.

1.3.2 Upon the occurrence of a Commercial Dispute with respect to an Acceptable Account, Client shall immediately repurchase such Acceptable Account from WFB by remitting payment of the Repurchase Price to WFB. Regardless of whether there is a Commercial Dispute, in the event that an Acceptable Account is unpaid on the Maximum Terms Date, Client shall immediately repurchase such Account by remitting the Repurchase Price to WFB.

1.3.3 In addition to and not in limitation of Section 1.3.2, upon WFB's demand, Client shall immediately repurchase an Acceptable Account and remit the Repurchase Price to WFB in accordance with this Agreement if (a) Client fails to timely deliver to WFB an assignment schedule for such Acceptable Account, together with copies of the assigned invoices (or equivalent thereof if Client delivered such invoice to its Customer electronically), the Ancillary Documents and such other information or documentation as requested by WFB in connection with such Account; (b) any representation or warranty made by Client hereunder with respect to such Acceptable Account is untrue, incorrect or misleading in any respect at any time; (c) any covenant or agreement made by Client hereunder with respect to such Acceptable Account is breached; (d) Client is required to repurchase such Acceptable Account under any term or provision of this Agreement; or (e) this Agreement is terminated by Client.

1.3.4 If at any time the aggregate Purchase Price of Accounts for which a Settlement Date has not occurred, plus the aggregate face amount of all outstanding letters of credit under the LC Supplement, exceeds the Maximum Facility Amount, Client shall promptly repay the excess to WFB, the amount of which repayment may be charged by WFB to the Client Ledger Account.

ARTICLE 2 ADMINISTRATION

Section 2.1 **Client Ledger Account**

2.1.1 WFB shall record in the Client Ledger Account all debits, credits and other entries for all transactions between Client and WFB hereunder or under any Other Agreement, including, without limitation, all purchases of Acceptable Accounts, payments of the Purchase Price of each Acceptable Account purchased hereunder, collections of Accounts, Reserves, and charges for all other Obligations, including, without limitation, amounts due for any Repurchase Price, accrued interest, discount, fees, costs and expenses.

2.1.2 Absent the occurrence of an Event of Default, WFB shall make available to Client an internet accessible website which will permit Client to view all debits, credits and other entries made by WFB to the Client Ledger Account during specific periods.

2.1.3 Client agrees to log on to the internet accessible website provided by WFB no less frequently than monthly, and Client shall review all transactions posted to the Client Ledger Account through the last day of each month. All postings to the Client Ledger Account for each month shall be subject to subsequent adjustment by WFB but shall, absent manifest error, be conclusively presumed to be correct and accurate and constitute an account stated between Client and WFB unless, within 60 days after the last day of any month, Client shall deliver to WFB written objection to the postings for such month describing the error or errors contained in any such statement.

2.1.4 Client hereby unconditionally promises to pay to WFB all Obligations, as and when due, without deduction or setoff, regardless of any defense or counterclaim, in accordance with this Agreement. Client hereby irrevocably authorizes WFB, from time to time and without prior notice to Client, to charge all Obligations, including, without limitation, the amount of any Repurchase Price, all interest, discount, costs, fees, expenses and other charges payable by Client hereunder or under any of the Other Agreements, to the Client Ledger Account maintained by WFB.

Section 2.2

Payments and Remittances

2.2.1 All checks, remittances, other items of payment and other Proceeds of Collateral shall be property of WFB. If any checks, remittances, other items of payment or other Proceeds of Collateral are received by Client, Client shall hold the same in trust for the benefit of WFB and will immediately deliver to WFB all such checks, remittances, other items of payment and other Proceeds of Collateral in the same form as received by Client. Without limiting WFB's other rights and remedies, Client shall pay a misdirected payment fee to WFB in the amount of fifteen percent (15%) of the amount of any check, remittance, other item of payment or other Proceeds of Collateral which has been received by Client and not delivered to WFB on the next Business Day following receipt by Client as required by the preceding sentence.

2.2.2 If WFB is required to repay, refund or otherwise disgorge any payment received by WFB for an Account, Client hereby indemnifies, saves and holds WFB harmless with respect to such payment and the amount of the repayment by WFB shall be part of the Obligations, notwithstanding any termination of this Agreement, and such amount may be charged by WFB to the Client Ledger Account.

2.2.3 In the event Client at any time receives a payment from WFB with respect to any Account to which Client has no rights, repayment of such payment shall be part of the Obligations whether or not this Agreement has been terminated, and may be charged by WFB to the Client Ledger Account.

2.2.4 If WFB receives a duplicate payment with respect to an Account or other payment which is not identified as applicable to an outstanding Account, WFB will account for such payment as an open item and, in WFB's discretion, WFB may return any duplicate or unidentified payment to the Customer or apply such unidentified payment pursuant to the terms hereof upon proper identification and documentation acceptable to WFB.

Section 2.3

Settlement Date.

WFB will credit the Client Ledger Account in the amount of the Proceeds of any Account, less the Purchase Price of such Account, on the Settlement Date for such Account. Provided there is no Event of Default or Default hereunder, at Client's written request, subject to WFB's right to withhold Reserves, any credit balance in the Client Ledger Account shall be released to the Client. Upon the occurrence of an Event of Default or a Default, WFB may hold any credit balance in the Client Ledger Account as a Reserve or as additional Collateral for the Obligations. Should the Client Ledger Account at any time have a deficit balance, Client shall immediately pay to WFB the amount of such deficit plus accrued interest thereon at the Deficit Rate.

**ARTICLE 3
INTEREST, FEES AND EXPENSES**

Section 3.1

Interest.

All Obligations (including Repurchase Obligations) hereunder shall bear interest at the lesser of the Contract Rate or the Maximum Rate; except, that, (a) at any time that a Client Ledger Account Deficit exists, such Client Ledger Account Deficit shall bear interest at the lesser of the Deficit Rate or the Maximum Rate and (b) from and after the occurrence of an Event of Default, and at all times during its continuance, all Obligations hereunder shall bear interest at the lesser of the Default Rate or the Maximum Rate. Interest hereunder shall be accrued daily and shall be due and charged to the Client Ledger Account monthly. All interest due and payable hereunder by Client shall be calculated on the basis of a 360 day year, for actual days elapsed. The Contract Rate shall be automatically and immediately increased or decreased, as the case may be, as Daily One Month LIBOR is increased or decreased and to the extent thereof.

(b) If at any time the rate of interest applicable to the Obligations of Client hereunder , together with any other fees and other amounts payable pursuant to this Agreement and the Other Agreements and deemed interest under applicable law, exceeds that amount that would have accrued at the Maximum Rate, then the amount of interest and any such fees and other amounts to accrue to WFB pursuant to this Agreement and the Other Agreements shall be limited, notwithstanding anything to the contrary in this Agreement or any Other Agreement, to that amount that would have accrued at the Maximum Rate, but to the extent permitted by applicable law, any subsequent reductions, as applicable, shall not reduce the interest to accrue to WFB pursuant to this Agreement and the Other Agreements below the Maximum Rate until the total amount of interest accrued pursuant to this Agreement and the Other Agreements and such fees and other amounts deemed to be interest equals the amount of interest, fees and other amounts that would have accrued to WFB but for the effect of this Section 3.5.

ARTICLE 4 SECURITY INTERESTS

Section 4.1 **Grant of Security Interest** . As security for the Obligations, Client hereby grants to WFB, for itself and its affiliates, a continuing security interest in and first priority Lien upon all of the Collateral, subject only to such Liens of other Persons that are party to an intercreditor agreement with WFB, or to which WFB has otherwise consented in writing, in any such case, all in form and content satisfactory to WFB.

Section 4.2 **Perfection** . Subject to the Liens described in Section 4.1, Client shall take all actions requested by WFB from time to time to cause the attachment, perfection and first priority of, and WFB's ability to enforce, WFB's security interest in any and all of the Collateral. Client irrevocably and unconditionally authorizes WFB (or WFB's agent) to complete and file, and Client ratifies such filing, at any time and from time to time, such financing statements with respect to the Collateral naming WFB as the secured party and Client as debtor, as WFB may require, together with all amendments and continuations with respect thereto.

ARTICLE 5 CLIENT REPRESENTATIONS AND WARRANTIES

Client hereby makes all of the representations and warranties set forth on Rider B annexed hereto.

ARTICLE 6 AFFIRMATIVE COVENANTS

Until the Obligations are repaid in full and this Agreement has been terminated, Client agrees as follows:

Section 6.1 **Recordkeeping, Rights of Inspection, Audit, Etc.**

(a) Client shall maintain a standard system of accounting in accordance with GAAP, and proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to Client's properties, business and activities, including without limitation, immediately upon the sale of each Acceptable Account to WFB.

(b) (i) Prior to the occurrence of a Default or an Event of Default, upon reasonable notice and during Client's normal business hours, and (ii) after the occurrence of a Default or an Event of Default, immediately upon WFB's demand, Client shall permit authorized representatives of WFB to perform field examinations, to visit and inspect the properties of Client, to review, audit, check and inspect the Collateral, to review, audit, check and inspect Client's books or records and to make abstracts and photocopies thereof, and to discuss the affairs, finances and accounts of Client, with the officers, directors, employees and other representatives of Client and its accountants.

(c) At any time prior to Client's payment and satisfaction in full of the Obligations and termination of this Agreement, Client hereby irrevocably authorizes and directs all accountants and auditors employed by Client to execute and deliver to WFB copies of any and all of the financial statements, trial balances, management letters, or other accounting records of any nature of Client in the accountant's or auditor's possession, and to disclose to WFB any information they may have concerning the financial status and business operations of Client.

Section 6.2

Notation of Assignment and Remittance Information.

(a) Client agrees that WFB may, and Client irrevocably authorizes WFB to at any time, notify Customers of the assignment to WFB of the Accounts, including pursuant to a Notice of Assignment of Accounts. Without limiting the foregoing, Client shall make the notation described below on each original invoice (or the electronic equivalent of an invoice) or other such documentation accepted by WFB for each Account. Client shall promptly advise WFB if, for any reason, Client is unable to place the notation required pursuant to this clause (a) on any invoice and WFB, in its sole discretion, will consider waiving such requirement. The notation shall one of the following:

This invoice is payable to:

Command Center, Inc.
PO Box 932685
Atlanta, GA 31193-2685

This invoice is payable to:

Command Center, Inc.
PO Box 79081
City of Industry, CA 91716-9081

This invoice is payable to:

Command Center, Inc.
PO Box 951753
Dallas, TX 75395-1753

In addition, Client shall cause all payments by wire transfer or ACH to be directed as follows:

Wells Fargo Bank, N.A.
San Francisco, CA
ABA# 121000248
Beneficiary: Wells Fargo Business Credit
Acct #2000045334645
Reference: Command Center, Inc.

(b) Notwithstanding the placement or non-placement of any such notation on invoices or other documentation, Client shall cause all payments of Accounts to be remitted, and shall take all necessary actions to ensure that all Customers remit payment of Accounts, to the address or bank account, as applicable, set forth Section 6.2(a) above or as otherwise directed by WFB.

Section 6.3 **Financial Information.** Client shall cause to be prepared and shall timely deliver to WFB, in each case certified by Client's President, Chief Financial Officer or other authorized officer at Client acceptable to WFB, and in form and content satisfactory to WFB, all financial statements and other financial information set forth on Schedule 2 annexed hereto.

Section 6.4 **Insurance.** At Client's expense, Client shall (a) maintain insurance of types and amounts as is customary and adequate for businesses similar to that of Client's, and with carriers acceptable to WFB, in its sole discretion and (b) cause WFB to be named as an additional insured on all liability insurance policies of Client and, at WFB's request, as a lender's loss payee on all property insurance policies of Client, and deliver to WFB such endorsements and certificates of insurance as WFB may request with respect Client's insurance policies.

Section 6.5 **Notification of Events of Default and Material Disputes.** Client shall promptly notify WFB upon obtaining knowledge of the occurrence of:

- (a) any Event of Default or Default;
- (b) any material dispute (including, without limitation, any Commercial Dispute) between a Customer and Client or WFB or the return by or repossession of Goods from any Customer;
- (c) the assertion, filing, recording or perfection by any means of any Lien against any of the Collateral, other than in favor of WFB;
- (d) the commencement of any legal proceeding or service of any legal document affecting any Obligor or the Collateral; and
- (e) the commencement of an Insolvency Proceeding with respect to any Customer.

Section 6.6 **Maintenance of Collateral.** Client shall maintain the Collateral in good working order, saving and excepting ordinary wear and tear, and will not permit anything to be done to the Collateral that may materially impair the value thereof.

Section 6.7 **Taxes.** Client shall pay and discharge all federal, state and local taxes when due.

7.1.2 At any time:

(a) interfere with any of WFB's rights under this Agreement or the Other Agreements;

(b) be a party to a merger or consolidation unless Client shall be the surviving entity of such merger or consolidation; or acquire all or substantially all of the assets of any Person;

(c) grant or permit to exist any Lien or otherwise transfer any other interest in any of the Collateral (other than the sale of Inventory in the ordinary course of Client's business and the Liens described in Section 4.1) to any Person other than WFB, without WFB's prior written consent;

(d) permit to exist or remain outstanding any loans or advances to Client from any officer, director or shareholder of Client or any subsidiary, related entity or affiliate of Client, except to the extent any such loans or advances are subordinate to the Obligations pursuant to a duly executed subordination agreement containing terms and conditions acceptable to WFB;

(e) make any payment in respect of the indebtedness described in clause (d) above unless either (i) WFB has consented in writing to the same, or (ii) such payment is permitted pursuant to any applicable subordination agreement, in form and substance acceptable to WFB and duly executed by the holders of such indebtedness;

(f) make any loans, advances, or intercompany transfers between Client and any subsidiary, related entity or affiliate of Client, or with any company that has common shareholders, officers or directors with Client, unless either (i) WFB has consented in writing to the same, or (ii) such transactions are in the ordinary course of business, upon the same terms and conditions as are applicable to ordinary course of business transactions with unaffiliated parties;

(g) permit the aggregate face amount of all outstanding letters of credit under the LC Supplement to exceed the LC Sublimit; or

(h) permit the aggregate Purchase Price for all Acceptable Accounts for which a Settlement Date has not occurred, plus the aggregate face amount of all outstanding letters of credit under the LC Supplement, to exceed the Maximum Facility Amount.

ARTICLE 8
TERM

Section 8.1

Termination and Autorenewal. This Agreement shall remain in full force and effect until terminated as follows:

8.1.1 Client may terminate this Agreement at any time upon thirty (30) days prior written notice to WFB.

8.1.2 WFB may terminate this Agreement at any time upon thirty (30) days prior written notice; and

8.1.3 WFB may terminate this Agreement without notice at any time after the occurrence of an Event of Default, after giving effect to any applicable grace or cure period.

8.1.4 Unless Client shall have delivered to WFB, or WFB shall have delivered to Client, written notice of its intention to terminate this Agreement at least 60 days prior to and effective as of the end of the then current Term, or this Agreement shall be sooner terminated in accordance with the terms hereof, this Agreement shall automatically renew for successive Renewal Terms;

Immediately upon termination, all Obligations, including, without limitation, any accrued but unpaid fees for the balance of the Term, shall become immediately due and payable in full without further notice or demand. Without limiting the foregoing, all of WFB's Liens in and to all Collateral shall remain in full force and effect until such time that all the Obligations have been indefeasibly paid and satisfied in full, as determined by WFB in its sole discretion.

Section 8.2 **Repurchase of Acceptable Account**

(a) Immediately upon termination of this Agreement, including at the end of the Term if not renewed, or after the occurrence of an Event of Default, Client shall repurchase any and all Acceptable Accounts purchased by WFB hereunder, whether or not subject to a Commercial Dispute, as may be requested by WFB, and WFB may charge the Repurchase Price therefor to the Client Ledger Account, together with all other Obligations.

(b) Without limiting WFB's rights and Client's obligations under Clause 8.2(a) above, if WFB notifies Client that WFB is unable to verify the balance of any Acceptable Account or if WFB determines, in its sole discretion, that any Account ceases to satisfy the criteria for Acceptable Accounts hereunder, Client shall repurchase such Acceptable Account and WFB may charge the Repurchase Price therefor to the Client Ledger Account.

ARTICLE 9
INDEMNITIES

Section 9.1 **Indemnification**

. Client hereby indemnifies and holds each Indemnified Person harmless from and against any and all suits, actions, proceedings, claims, damages, losses, liabilities and expenses of every kind and nature (including attorneys' costs, fees and expenses) which may be instituted or asserted against or incurred by any such Indemnified Person with respect to the execution, delivery, enforcement, performance or administration of, or in any other way arising out of or relating to, this Agreement or any Other Agreement, and any actions or inactions with respect to any of the foregoing, except to the extent that any such indemnified liability is determined pursuant to a final, non-appealable order issued by a court of competent jurisdiction to have resulted solely from such Indemnified Person's gross negligence or willful misconduct. WITHOUT LIMITATION, THE FOREGOING INDEMNITY SHALL APPLY TO EACH INDEMNIFIED PERSON WITH RESPECT TO INDEMNIFIED LIABILITIES WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF ANY NEGLIGENT ACT OR OMISSION OF SUCH INDEMNIFIED PERSON OR OF ANY OTHER PERSON. No Indemnified Person shall be responsible or liable to Client or to any other party for indirect, punitive, special, exemplary or consequential damages which may be alleged as a result of the purchase of any Acceptable Account or other financial accommodation having been extended, denied, delayed, conditioned, suspended or terminated under this Agreement or any Other Agreement or as a result of any other event or transaction contemplated hereunder or thereunder.

Section 9.2

Taxes

(a) If any tax or fee by any Governmental Authority (other than income and franchise taxes owing by WFB) is or may be imposed on or as a result of any transaction between Client and WFB, or with respect to sales or the goods affected by such sales, which WFB is or may be required to withhold or pay, Client acknowledges sole responsibility for such fee or tax and agrees to indemnify and hold WFB harmless in respect of such taxes. Client will pay to WFB, upon WFB's demand, the amount of any such taxes, which shall be charged to the Client Ledger Account by WFB.

(b) Client agrees to pay any present or future stamp, value added or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or from the execution, delivery, performance, recordation, or filing of, or otherwise with respect to this Agreement or any Other Agreement.

Section 9.3

No Liability.

WFB shall not be liable to Client or any other Person or in any manner for declining, withholding or terminating the designation of any Account as an Acceptable Account. If WFB declines, withholds or terminates the designation of an Account as an Acceptable Account and provides Client with any information regarding the Customer obligated on such Account, Client agrees to hold such information as confidential, and Client agrees not to disclose such information to the Customer or any other Person.

ARTICLE

10

ARTICLE 9

DEFAULT

Section 10.1

Events of Default.

Any one or more of the following shall constitute an "Event of Default" hereunder: (a) Client shall fail to pay any of the Obligations when due; (b) any statement, representation or warranty made by any Obligor orally or in writing under or in connection with this Agreement or any Other Agreement to which such Obligor is a party, or in connection with the transactions contemplated hereby or thereby, shall be untrue, incorrect or misleading when made or during the period covered thereby; (c) any Obligor commits any breach or default in the performance of any covenant or other agreement in this Agreement or any Other Agreement to which such Obligor is a party which breach or default is not cured within any applicable cure period or, if no cure period is provided, within five (5) days of such Obligor's receipt of notice or knowledge thereof; provided that such five (5) day period shall not apply in the case of (i) any breach or default of Section 6.3 or Section 6.10 of this Agreement, (ii) any breach or default of any such covenant which is not capable of being cured at all or within such five (5) day period or which has been the subject of a prior failure two (2) or more times during the term of this Agreement, (iii) an intentional breach by any Obligor of any such covenant or agreement, or (iv) the occurrence of any event described in any other clause of this Section 10.1, (d) any Obligor suspends or ceases operation of all or a material portion or line of such Obligor's business; (e) any breach or default by an Obligor occurs under any document, instrument or agreement to which it is a party or by which such Obligor or any of its properties are bound, if the maturity of or any payment with respect to such indebtedness may be accelerated or demanded due to such breach or default; (f) there shall be issued or filed against any Obligor any attachment, injunction, order, writ, or judgment affecting Client or the Collateral; (g) an Obligor is enjoined, restrained or in any way prevented by any Governmental Authority from conducting any material part of its business; (h) an Obligor suffers the loss, revocation or termination of any material license, permit, lease or agreement necessary to run its business; (i) any material portion of Collateral or other property of an Obligor is taken or impaired through condemnation; (j) an Obligor or any of its senior management is or at any time has been criminally indicted or convicted for a felony offense under any state or federal law; (k) the results of any background investigation or report conducted by WFB with respect to any of Client's senior management or financial personnel fail to be satisfactory to WFB, in WFB's sole discretion; (l) any Obligor becomes insolvent, becomes unable to pay its debts as they mature, makes an assignment for the benefit of creditors, or if a receiver is appointed for any of the Collateral, or if a petition under any provision of Title 11 of the United States Code, as amended or modified from time to time, is filed by or against any Obligor; (m) any Obligor that is a natural person shall die or be declared incompetent, any Person that is a partner in a partnership or a member in a limited liability company that is an Obligor shall die (if such Person is a natural person) or withdraw from such partnership or limited liability company, or any Obligor that is a corporation or a limited liability company shall dissolve or merge or be consolidated with any other Person; (n) any Obligor or Validity Guarantor shall challenge the validity, enforceability or effectiveness of, terminate, seek or purport to seek termination of such Payment Obligor's Payment Guaranty or such Validity Guarantor's Validity Guaranty, as the case may be; (o) any Validity Guarantor shall die or be declared incompetent unless, within 30 days of the date of such death or declaration of incompetence, a substitute Person, acceptable to WFB in its discretion, executes a Validity Guarantor in favor of WFB; or (p) the occurrence of a Change of Control.

**ARTICLE 11
REMEDIES**

Section 11.1 **Remedies.** Upon the occurrence of any Event of Default, WFB shall have all the rights and remedies of a secured party under the UCC and other applicable laws with respect to all Collateral, such rights and remedies being in addition to all of WFB's other rights and remedies provided for herein, and all of which rights and remedies may be exercised without notice to, or consent by, Client except as such notice or consent is expressly provided for hereunder. Notwithstanding anything to the contrary herein, upon the occurrence of an Event of Default described in Section 10.1(l) concerning Client, all Obligations shall be accelerated, and shall be immediately due and payable, without notice or demand of any kind, all of which is hereby waived by Client. WFB may for any reason apply for the appointment of a receiver, ex parte without notice, of the Collateral (to which appointment Client hereby consents) without the necessity of posting a bond or other form of security (which Client hereby waives). WFB may sell or cause to be sold any or all of such Collateral, in one or more sales or parcels, at such prices and upon such terms as WFB shall elect, for cash or on credit or for future delivery, without assumption of any credit risk, and at a public or private sale as WFB may deem appropriate. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, WFB will give Client reasonable notice of the time and place of any public sale thereof or of the time after which any private sale or any other intended disposition thereof is to be made. At any such sale, WFB may disclaim warranties of title, possession, quiet enjoyment, merchantability and the like and any such disclaimer shall not affect the commercial reasonableness of the sale. The requirements of reasonable notice shall be met if any such notice is mailed, postage prepaid, to Client's address set forth on the signature page hereto, at least seven (7) days before the time of the sale or disposition thereof. WFB may invoice any such sale in WFB's name or in Client's name, as WFB may elect, as the seller, and in such latter event such invoice shall be marked payable to WFB as provided in Section 6.2 of this Agreement. WFB may be the purchaser at any such public sale and thereafter hold the property so sold at public sale, absolutely, free from any claim or right of any kind, including any equity of redemption. The proceeds of sale shall be applied first to all costs and expenses of, and incident to, such sale, (including attorneys' costs, fees and expenses), and then to the payment (in such order as WFB may elect in its sole discretion) of all other Obligations. After application of the proceeds of any Collateral to the Obligations, Client shall remain liable for any deficiency.

**ARTICLE 12
MISCELLANEOUS PROVISIONS**

Section 12.1 **UCC Terms.** When used herein, unless otherwise indicated herein, the terms "Account", "Chattel Paper", "Commercial Tort Claim", "Deposit Account", "Document", "Electronic Chattel Paper", "Equipment", "General Intangible", "Goods", "Instrument", "Inventory", "Investment Property", "Letter-of-Credit Right", "Proceeds", "Record" and "Supporting Obligation" shall have their respective meanings set forth in the UCC.

Section 12.2 **Purpose.** The purpose of this Agreement is commercial in nature and not for household, family and/or personal use.

Section 12.3 **Power of Attorney.** In order to carry out this Agreement, Client irrevocably appoints WFB, or any Person designated by WFB, as its special attorney in fact, or agent, with power to:

(a) receive, open, read and thereafter forward to Client (if appropriate) all mail addressed to Client (including any trade name of Client) sent to WFB's address. Any payments received shall be processed in accordance with this Agreement;

(b) endorse the name of Client or Client's trade name on any checks or other items of payment that may come into the possession of WFB with respect to any Account and on any other documents relating to any of the Accounts or to Collateral;

(c) in Client's name, or otherwise, demand, sue for, settle, collect and give releases for any and all moneys due or to become due on any Account;

(d) initiate electronic debit or credit entries through any ACH system to the Client account or any other deposit account maintained by Client wherever located;

(e) access, interface and execute transactions in connection with Acceptable Accounts in the name of Client or Client's trade name through any on-line or web-based exchange used or otherwise available to Client;

(f) sign the name of Client on any notices to Customers of the assignment to WFB of the Accounts, including on any Notice of Assignment of Accounts, to the extent such notices are permitted hereunder.

(g) do any and all things necessary and proper to carry out this Agreement.

This power, being coupled with an interest, is irrevocable while this Agreement remains in effect or any of the Obligations remain outstanding. WFB, as attorney-in-fact, shall not be liable for any errors of judgment or mistake of fact.

Section 12.4 **Successors and Assigns.** This Agreement binds and is for the benefit of the heirs, executors, administrators, successors and assigns of the parties hereto, except that Client shall not have the right to assign its rights hereunder or any interest herein without WFB's prior written consent.

Section 12.5 **Cumulative Rights.** The rights, powers and remedies provided in this Agreement and in the Other Agreements are cumulative, may be exercised concurrently, or separately, may be exercised from time to time and in such order as WFB shall determine, subject to the provisions of this Agreement, and are in addition to, and not exclusive of, the rights, powers, and remedies provided by existing or future applicable laws. WFB's failure or delay to exercise or enforce, in whole or in part, any right, power or remedy under this Agreement or any Other Agreement, shall not constitute a waiver thereof, nor preclude any other or further exercise thereof.

Section 12.6 **Waiver.** WFB shall not waive any of its rights and remedies unless the waiver thereof is in writing and signed by WFB. A waiver by WFB of a right or remedy under this Agreement on one occasion shall not constitute a waiver of the right or remedy on any subsequent occasion.

Section 12.7 **Amendment.** Except as otherwise provided herein, this Agreement may not be supplemented, changed, waived, discharged, terminated, modified or amended, except by written instrument executed by WFB and Client.

Section 12.8 **Choice of Law.** This Agreement shall be governed by and construed in accordance with the laws of the Applicable State, without giving effect to the principles of conflicts of laws.

Section 12.9 **Severability of Provisions.** In the event any provision of this Agreement (or any part of any provision) is held by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision (or remaining part of the affected provision) of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision (or part thereof) had not been contained in this Agreement, but only to the extent it is invalid, illegal or unenforceable.

Section 12.10 **Survival.** All covenants, representations and warranties made in this Agreement continue in full force until this Agreement has been terminated in accordance with its terms and all Obligations have been indefeasibly paid and satisfied in full. The obligation of Client in Article 9 to indemnify WFB shall survive until the statute of limitations with respect to any such claim or cause of action described in Article 9 shall have expired.

Section 12.11 **Entire Agreement.** This Agreement, together with the Other Agreements, is intended by WFB and Client to be a complete, exclusive and final expression of the agreements contained herein. Neither WFB nor Client shall hereafter have any rights under any prior agreements pertaining to the matters addressed by this Agreement or the Other Agreements but shall look solely to this Agreement and the Other Agreements for definition and determination of all of their respective rights, liabilities and responsibilities under this Agreement and the Other Agreements. THIS AGREEMENT AND THE OTHER AGREEMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 12.12 **Data Transmission.** WFB assumes no responsibility for privacy or security risks as a result of the method of data transmission selected by Client. WFB only assumes responsibility for data transmitted from Client once the data is received within Wells Fargo Bank, National Association's internal network. WFB assumes no responsibility for privacy or security for data transmitted from WFB to Client once the data is dispensed from Wells Fargo Bank, National Association's internal network.

Section 12.13 **Information.** Without limiting WFB's right to share information regarding Client and its affiliates with WFB's agents, accountants, lawyers and other advisors, Client agrees that Wells Fargo & Co., and all direct and indirect subsidiaries of Wells Fargo & Co., may, among themselves, discuss or otherwise utilize any and all information they may have in their possession regarding any Obligor, and Client, for itself and each Payment Guarantor, waives any right of confidentiality Client or any such Payment Guarantor may have with respect to such exchange of such information.

Section 12.14 **Notice.** Unless otherwise specified herein, all notices pursuant to this Agreement shall be in writing and sent either (a) by hand, (b) by certified mail, return receipt requested, or (c) by recognized overnight courier service, to the other party at the address set forth herein, or to such other addresses as a party may from time to time furnish to the other party by notice. Any notice hereunder shall be deemed to have been given on (i) the day of hand delivery, (ii) the third Business Day after the day it is deposited in the U.S. Mail, if sent as aforesaid, or (iii) the day after it is delivered to a recognized overnight courier service with instructions for next day delivery.

Section 12.15 **Counterparts.** This Agreement may be executed in any number of duplicate originals or counterparts, each of which shall be deemed to be an original and all taken together shall constitute but one and the same instrument. Client agrees that a facsimile or electronic transmission of any signature of Client shall be effective as an original signature thereof. WFB agrees that a facsimile or electronic transmission of this Agreement executed by WFB shall be effective as an original signature thereof.

Section 12.16 **Headings.** The headings set forth herein are for convenience only and shall not be deemed to define, limit or describe the scope or intent of this Agreement.

Section 12.17 **Retention of Records.** WFB shall have no obligation to maintain electronic records or retain any documents, schedules, invoices, agings or other records delivered to WFB by Client in connection with this Agreement or any other document or agreement described in or related to this Agreement beyond the time periods set forth for retention of records in WFB's internal policies.

Section 12.18 **Arbitration.**

(a) **ARBITRATION.** THE PARTIES HERETO AGREE, UPON DEMAND BY ANY PARTY, WHETHER MADE BEFORE THE INSTITUTION OF A JUDICIAL PROCEEDING OR NOT MORE THAN 60 DAYS AFTER SERVICE OF A COMPLAINT, THIRD PARTY COMPLAINT, CROSS-CLAIM, COUNTERCLAIM OR ANY ANSWER THERETO OR ANY AMENDMENT TO ANY OF THE ABOVE TO SUBMIT TO BINDING ARBITRATION ALL CLAIMS, DISPUTES AND CONTROVERSIES BETWEEN OR AMONG THEM (AND THEIR RESPECTIVE EMPLOYEES, OFFICERS, DIRECTORS, ATTORNEYS, AND OTHER AGENTS), WHETHER IN TORT, CONTRACT OR OTHERWISE ARISING OUT OF OR RELATING TO IN ANY WAY (I) ANY CREDIT SUBJECT HERETO, OR ANY OF THE OTHER AGREEMENTS, AND THEIR NEGOTIATION, EXECUTION, COLLATERALIZATION, ADMINISTRATION, REPAYMENT, MODIFICATION, EXTENSION, SUBSTITUTION, FORMATION, INDUCEMENT, ENFORCEMENT, DEFAULT OR TERMINATION; OR (II) REQUESTS FOR ADDITIONAL CREDIT; PROVIDED HOWEVER THAT THE PARTIES AGREE THAT, NOTWITHSTANDING THE FOREGOING, EACH PARTY RETAINS THE RIGHT TO PURSUE IN SMALL CLAIMS COURT ANY DISPUTE WITHIN THAT COURT'S JURISDICTION. IN THE EVENT OF A COURT ORDERED ARBITRATION, THE PARTY REQUESTING ARBITRATION SHALL BE RESPONSIBLE FOR TIMELY FILING THE DEMAND FOR ARBITRATION AND PAYING THE APPROPRIATE FILING FEE WITHIN THE 30 DAYS OF THE ABATEMENT ORDER OR THE TIME SPECIFIED BY THE COURT. FAILURE TO TIMELY FILE THE DEMAND FOR ARBITRATION AS ORDERED BY THE COURT WILL RESULT IN THAT PARTY'S RIGHT TO DEMAND ARBITRATION BEING AUTOMATICALLY TERMINATED.

(b) GOVERNING RULES. ANY ARBITRATION PROCEEDING WILL (I) PROCEED IN A LOCATION IN THE APPLICABLE STATE (AS DEFINED HEREIN) SELECTED BY THE AMERICAN ARBITRATION ASSOCIATION ("AAA"); (II) BE GOVERNED BY THE FEDERAL ARBITRATION ACT (TITLE 9 OF THE UNITED STATES CODE), NOTWITHSTANDING ANY CONFLICTING CHOICE OF LAW PROVISION IN ANY OF THE DOCUMENTS BETWEEN THE PARTIES; AND (III) BE CONDUCTED BY THE AAA, OR SUCH OTHER ADMINISTRATOR AS THE PARTIES SHALL MUTUALLY AGREE UPON, IN ACCORDANCE WITH THE AAA'S COMMERCIAL DISPUTE RESOLUTION PROCEDURES, UNLESS THE CLAIM OR COUNTERCLAIM IS AT LEAST \$1,000,000.00 EXCLUSIVE OF CLAIMED INTEREST, ARBITRATION FEES AND COSTS IN WHICH CASE THE ARBITRATION SHALL BE CONDUCTED IN ACCORDANCE WITH THE AAA'S OPTIONAL PROCEDURES FOR LARGE, COMPLEX COMMERCIAL DISPUTES (THE COMMERCIAL DISPUTE RESOLUTION PROCEDURES OR THE OPTIONAL PROCEDURES FOR LARGE, COMPLEX COMMERCIAL DISPUTES TO BE REFERRED TO HEREIN, AS APPLICABLE, AS THE "RULES"). IF THERE IS ANY INCONSISTENCY BETWEEN THE TERMS HEREOF AND THE RULES, THE TERMS AND PROCEDURES SET FORTH HEREIN SHALL CONTROL. ANY PARTY WHO FAILS OR REFUSES TO SUBMIT TO ARBITRATION FOLLOWING A DEMAND BY ANY OTHER PARTY SHALL BEAR ALL COSTS AND EXPENSES INCURRED BY SUCH OTHER PARTY IN COMPELLING ARBITRATION OF ANY DISPUTE.

(c) NO WAIVER OF PROVISIONAL REMEDIES, SELF-HELP AND FORECLOSURE. THE ARBITRATION REQUIREMENT DOES NOT LIMIT THE RIGHT OF ANY PARTY BEFORE, DURING OR AFTER THE PENDENCY OF ANY ARBITRATION PROCEEDING TO (I) FORECLOSE AGAINST REAL OR PERSONAL PROPERTY COLLATERAL; (II) EXERCISE SELF-HELP REMEDIES RELATING TO COLLATERAL OR PROCEEDS OF COLLATERAL SUCH AS SETOFF OR REPOSSESSION; OR (III) OBTAIN PROVISIONAL OR ANCILLARY REMEDIES SUCH AS REPLEVIN, WRIT OF POSSESSION, INJUNCTIVE RELIEF, ATTACHMENT, GARNISHMENT OR THE APPOINTMENT OF A RECEIVER. THIS EXCLUSION DOES NOT CONSTITUTE A WAIVER OF THE RIGHT OR OBLIGATION OF ANY PARTY TO SUBMIT ANY DISPUTE TO ARBITRATION OR REFERENCE HEREUNDER, INCLUDING THOSE ARISING FROM THE EXERCISE OF THE ACTIONS DETAILED IN SECTIONS (I), (II) AND (III) OF THIS PARAGRAPH.

(d) ARBITRATOR QUALIFICATIONS AND POWERS. ANY ARBITRATION PROCEEDING IN WHICH THE AMOUNT IN CONTROVERSY IS \$5,000,000.00 OR LESS WILL BE DECIDED BY A SINGLE ARBITRATOR SELECTED ACCORDING TO THE RULES, AND WHO SHALL NOT RENDER AN AWARD OF GREATER THAN \$5,000,000.00. ANY DISPUTE IN WHICH THE AMOUNT IN CONTROVERSY EXCEEDS \$5,000,000.00 SHALL BE DECIDED BY MAJORITY VOTE OF A PANEL OF THREE ARBITRATORS; PROVIDED HOWEVER, THAT ALL THREE ARBITRATORS MUST ACTIVELY PARTICIPATE IN ALL HEARINGS AND DELIBERATIONS, EXCEPT THAT A SINGLE ARBITRATOR MAY DECIDE PRE-HEARING DISCOVERY DISPUTES. THE ARBITRATOR(S) WILL BE A NEUTRAL ATTORNEY LICENSED IN THE APPLICABLE STATE (AS DEFINED HEREIN) OR A NEUTRAL RETIRED JUDGE OF THE STATE OR FEDERAL JUDICIARY OF THE APPLICABLE STATE (AS DEFINED HEREIN), IN EITHER CASE WITH A MINIMUM OF TEN YEARS EXPERIENCE IN THE SUBSTANTIVE LAW APPLICABLE TO THE SUBJECT MATTER OF THE DISPUTE TO BE ARBITRATED. THE ARBITRATOR(S) WILL DETERMINE WHETHER OR NOT AN ISSUE IS ARBITRATABLE AND WILL GIVE EFFECT TO THE STATUTES OF LIMITATION OR REPOSE IN DETERMINING ANY CLAIM. IN ANY ARBITRATION PROCEEDING THE ARBITRATOR(S) WILL DECIDE (BY DOCUMENTS ONLY OR WITH A HEARING AT THE ARBITRATOR'S DISCRETION) ANY PRE-HEARING MOTIONS WHICH ARE SIMILAR TO MOTIONS TO DISMISS FOR FAILURE TO STATE A CLAIM OR MOTIONS FOR SUMMARY ADJUDICATION. THE ARBITRATOR(S) SHALL RESOLVE ALL DISPUTES IN ACCORDANCE WITH THE SUBSTANTIVE LAW OF THE APPLICABLE STATE (AS DEFINED HEREIN) AND MAY GRANT ANY REMEDY OR RELIEF THAT A COURT OF SUCH STATE COULD ORDER OR GRANT WITHIN THE SCOPE HEREOF AND SUCH ANCILLARY RELIEF AS IS NECESSARY TO MAKE EFFECTIVE ANY AWARD. THE ARBITRATOR(S) SHALL ALSO HAVE THE POWER TO AWARD RECOVERY OF ALL COSTS AND FEES, TO IMPOSE SANCTIONS AND TO TAKE SUCH OTHER ACTION AS THE ARBITRATOR(S) DEEMS NECESSARY TO THE SAME EXTENT A JUDGE COULD PURSUANT TO THE FEDERAL RULES OF CIVIL PROCEDURE, THE APPLICABLE STATE'S (AS DEFINED HEREIN) RULES OF CIVIL PROCEDURE OR OTHER APPLICABLE LAW. JUDGMENT UPON THE AWARD RENDERED BY THE ARBITRATOR(S) MAY BE ENTERED IN ANY COURT HAVING JURISDICTION. THE INSTITUTION AND MAINTENANCE OF AN ACTION FOR JUDICIAL RELIEF OR PURSUIT OF A PROVISIONAL OR ANCILLARY REMEDY SHALL NOT CONSTITUTE A WAIVER OF THE RIGHT OF ANY PARTY, INCLUDING THE PLAINTIFF, TO SUBMIT THE CONTROVERSY OR CLAIM TO ARBITRATION IF ANY OTHER PARTY CONTESTS SUCH ACTION FOR JUDICIAL RELIEF.

(e) DISCOVERY. IN ANY ARBITRATION PROCEEDING, DISCOVERY WILL BE PERMITTED IN ACCORDANCE WITH THE RULES. ALL DISCOVERY SHALL BE EXPRESSLY LIMITED TO MATTERS DIRECTLY RELEVANT TO THE DISPUTE BEING ARBITRATED AND MUST BE COMPLETED NO LATER THAN 20 DAYS BEFORE THE HEARING DATE. ANY REQUESTS FOR AN EXTENSION OF THE DISCOVERY PERIODS, OR ANY DISCOVERY DISPUTES, WILL BE SUBJECT TO FINAL DETERMINATION BY THE ARBITRATOR(S) UPON A SHOWING THAT THE REQUEST FOR DISCOVERY IS ESSENTIAL FOR THE PARTY'S PRESENTATION AND THAT NO ALTERNATIVE MEANS FOR OBTAINING INFORMATION IS AVAILABLE.

(f) CLASS PROCEEDINGS AND CONSOLIDATIONS. NO PARTY HERETO SHALL BE ENTITLED TO JOIN OR CONSOLIDATE DISPUTES BY OR AGAINST OTHERS IN ANY ARBITRATION, EXCEPT PARTIES WHO HAVE EXECUTED THIS AGREEMENT OR ANY OTHER CONTRACT, INSTRUMENT OR DOCUMENT RELATED TO THE OBLIGATIONS, OR TO INCLUDE IN ANY ARBITRATION ANY DISPUTE AS A REPRESENTATIVE OR MEMBER OF A CLASS, OR TO ACT IN ANY ARBITRATION IN THE INTEREST OF THE GENERAL PUBLIC OR IN A PRIVATE ATTORNEY GENERAL CAPACITY.

(g) PAYMENT OF ARBITRATION COSTS AND FEES. THE ARBITRATOR(S) SHALL AWARD ALL COSTS AND EXPENSES OF THE ARBITRATION PROCEEDING.

(h) MISCELLANEOUS. TO THE MAXIMUM EXTENT PRACTICABLE, THE AAA, THE ARBITRATOR(S) AND THE PARTIES SHALL TAKE ALL ACTION REQUIRED TO CONCLUDE ANY ARBITRATION PROCEEDING WITHIN 180 DAYS OF THE FILING OF THE DISPUTE WITH THE AAA. NO ARBITRATOR(S) OR OTHER PARTY TO AN ARBITRATION PROCEEDING MAY DISCLOSE THE EXISTENCE, CONTENT OR RESULTS THEREOF, EXCEPT FOR DISCLOSURES OF INFORMATION BY A PARTY REQUIRED IN THE CONNECTION WITH FINANCIAL REPORTING IN THE ORDINARY COURSE OF ITS BUSINESS OR BY APPLICABLE LAW OR REGULATION. IF MORE THAN ONE AGREEMENT FOR ARBITRATION BY OR BETWEEN THE PARTIES POTENTIALLY APPLIES TO A DISPUTE, THE ARBITRATION PROVISION MOST DIRECTLY RELATED TO THE SUBJECT MATTER OF THE DISPUTE SHALL CONTROL. THIS ARBITRATION PROVISION SHALL SURVIVE TERMINATION, AMENDMENT OR EXPIRATION OF ANY OF THIS AGREEMENT, THE OTHER AGREEMENTS OR ANY RELATIONSHIP BETWEEN THE PARTIES.

(i) WAIVER OF JURY TRIAL. THE PARTIES HERETO HEREBY ACKNOWLEDGE THAT BY AGREEING TO BINDING ARBITRATION THEY HAVE IRREVOCABLY WAIVED THEIR RESPECTIVE RIGHTS TO A JURY TRIAL WITH RESPECT TO ANY ACTION, CLAIM OR OTHER PROCEEDING ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER AGREEMENT OR DOCUMENT DELIVERED IN CONNECTION HERewith, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THEREUNDER, OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS AGREEMENT.

Section 12.19 **Increased Cost and Reduced Return.** After the date of this Agreement, if the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof, or compliance by WFB with any request or directive (whether or not having the force of law) of any such Governmental Authority (a) subjects WFB to any charge or withholding on or in connection with this Agreement or any Other Agreement or any Acceptable Account or any Collateral, (b) changes the basis of taxation of payments to WFB in respect of any amounts payable under this Agreement or any Other Agreement (except for changes in the rate of tax on the overall net income before tax of WFB), (c) imposes, modifies or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or any credit extended by WFB, (d) has the effect of reducing the rate of return on WFB's capital to a level below that which WFB could have achieved but for such adoption, change or compliance (taking into consideration WFB's policies concerning capital adequacy, (e) WFB is required to post or allocate additional capital or the maintenance or allocation of capital by WFB is otherwise affected by any of the following, to or from that which is maintained by WFB, pursuant to any legal or regulatory requirement, request, direction or guideline, or change in the interpretation or administration thereof (including with respect to reserve, deposit, capital adequacy, capital allocation or similar requirements) made after the date hereof (or, in the case of The Dodd-Frank Wall Street Reform and Consumer Protection Act adopted by the United States Congress on July 21, 2010 or the Bank for International Settlements or the Basel Committee on Banking Regulations and Supervisory Practices (or any successor or similar authority to any of them), any law, regulation, direction or guideline thereof or thereunder or enacted thereby or pursuant to the terms thereof, regardless of the date adopted, enacted or issued), from or by any governmental authority or other similar body; or (f) imposes any other condition, and the result of any of the foregoing is (x) to impose a cost on, or increase the cost to WFB of its purchasing, maintaining or funding any interest acquired under this Agreement or any Other Agreement, (y) to reduce the amount of any sum received or receivable by, or to reduce the rate of return of, WFB under this Agreement or any related transaction document or (z) to require any payment calculated by reference to the amounts received by it hereunder, then, upon demand by WFB, the Client shall pay to WFB (with respect to amounts owed to it) such additional amounts as will compensate WFB for such increased cost or reduction.

Section 12.20 **USA PATRIOT Act Notice.** WFB hereby notifies Client that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), it is required to obtain, verify and record information that identifies Client, which information includes the name and address of Client and other information that will allow WFB to identify Client in accordance with the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)).

Section 12.21 **Marketing Materials.** Client hereby irrevocably authorizes WFB to use the name, logo and other insignia of Client in any "tombstone" or comparable advertising, on its website or in other marketing materials.

Section 12.22 **Amendment and Restatement; Ratification.**

12.22.1 Client acknowledges, confirms and agrees that (i) the security interests and liens granted to WFB pursuant to the Existing Account Purchase Agreement and Existing Other Agreements shall remain in full force and effect and shall secure all Obligations hereunder, (ii) such security interests and liens shall be deemed to be continuously granted and perfected from the earliest date of the granting and perfection of such security interests and liens, whether under the Existing Account Purchase Agreements, the Existing Other Agreements or otherwise, (c) the obligations owing by Client hereunder represent, among other things, the amendment, restatement, renewal, extension, consolidation and modification of the Existing Obligations arising in connection with the Existing Account Purchase Agreement and the Existing Other Agreements and (d) the Existing Account Purchase Agreement and the Existing Other Agreements have been duly executed and delivered by Client and are in full force and effect as of the date hereof.

12.22.2 The terms, conditions, agreements, covenants, representations and warranties set forth in the Existing Account Purchase Agreement are, effective as of the Effective Date, amended and restated in their entirety, and as so amended and restated, replaced and superseded, by the terms, conditions, agreements, covenants, representations and warranties set forth in this Agreement; provided that each of Client and WFB acknowledges, confirms and agrees that such amendment and restatement shall not, in any manner, (i) be construed to constitute payment of, or impair, limit, cancel or extinguish, or constitute a novation in respect of, the Existing Obligations evidenced by or arising under the Existing Account Purchase Agreement or the Existing Other Agreements, all such Existing Obligations deemed obligations of Client under this Agreement or (ii) adversely affect or impair the priority of security interests and liens granted by the Existing Account Purchase Agreement and the Existing Other Agreements.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have signed and sealed this Agreement on the day and year first above written.

CLIENT:

COMMAND CENTER, INC.

By: /s/ Frederick J. Sandford
Name: Frederick J. Sandford
Title: President and CEO

Address: 3609 S. Wadsworth Blvd., Suite 250,
Lakewood, CO 80235

STATE/Commonwealth of Colorado, County of Jefferson, to wit:

I HEREBY CERTIFY, that on this 11th day of May, 2016, before me, a Notary Public of said State, personally appeared Frederick Sandford, who acknowledged himself to be the CEO of COMMAND CENTER, INC., a Washington corporation, known to me (or satisfactorily proven) to be the person whose name is subscribed to the foregoing instrument and acknowledged that he executed the same for the purposes therein contained as the duly authorized CEO of said company by signing the name of the company by himself as Frederick Sandford.

WITNESS my hand and Notarial Seal.

/s/ _____
Notary Public

My Commission Expires: Dec. 3, 2019

My Notarial Registration No.:

Signature Page to Account Purchase Agreement

ACCEPTED:

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Angela Brown

Name: Angela Brown

Title: Vice President

Address: 14241 Dallas Parkway, Suite 900
Dallas, Texas 75254

Effective Date May 12, 2016.

Signature Page to Account Purchase Agreement

Rider A
To
Account Purchase Agreement
Between
Wells Fargo Bank, National Association
And
Command Center, Inc.

DEFINITIONS

“AAA” shall have the meaning set forth in Section 12.18(b) of this Agreement.

“**Acceptable Account**” means an Account created by Client in the ordinary course of its business, that arises out of Client’s sale of Goods or rendition of services, that complies with each of the representations and warranties respecting Acceptable Accounts made by Client in this Agreement, is deemed to be acceptable by WFB in its sole discretion, and that is not excluded as unacceptable by virtue of one or more of the excluding criteria set forth below. Without limiting the foregoing, Acceptable Accounts shall not include the following:

- (a) Accounts that the Customer has failed to pay within 90 days of original invoice;
- (b) Accounts with selling terms of more than 30 days;
- (c) Accounts with respect to which the Customer is an affiliate, employee, agent or equity owner of Client;
- (d) Accounts arising in a transaction wherein Goods are placed on consignment or are sold pursuant to a guaranteed sale, a sale or return, a sale on approval, or any other terms by reason of which the payment by the Customer may be conditional or contingent;
- (e) Accounts that are not payable in U.S. Dollars;
- (f) Accounts with respect to which the Customer either (i) does not maintain its chief executive office in the United States, or (ii) is not organized under the laws of the United States or any state thereof, or (iii) is the government of any foreign country or sovereign state, or of any state, province, municipality, or other political subdivision thereof, or of any department, agency, public corporation or other instrumentality thereof;
- (g) Accounts with respect to which the Customer is a creditor of Client, has or has asserted a right of setoff or contra account, or has disputed its obligation to pay all or any portion of the Account, to the extent of such claim, right of setoff or contra account, or dispute;
- (h) Accounts owing by a single Customer or group of affiliated Customers whose total obligations owing to Client exceed the credit limit established by WFB for such Customer;
- (i) Accounts with respect to which the Customer is subject to an Insolvency Proceeding, is not solvent, has gone out of business, or as to which Client has knowledge or has received notice of an imminent Insolvency Proceeding or a material impairment of the financial condition of such Customer;

Account Purchase Agreement

Rider A

- (j) Accounts, the collection of which, WFB, in its sole discretion, believes to be doubtful by reason of the Customer's financial condition;
- (k) Accounts that are not subject to a valid and perfected first priority Lien in favor of WFB or that are subject to any Lien other than in favor of WFB;
- (l) Accounts with respect to which the obligation to pay is conditional or subject to a repurchase obligation or right to return or with respect to which the goods or services giving rise to such Accounts have not been delivered (or performed, as applicable) or requiring any additional performance subsequent to the date of sale and assignment to WFB and accepted by the Customer or Person obligated on such Account, including progress billings, bill and hold sales, guaranteed sales, sale or return transactions, sales on approval or consignments;
- (m) Accounts with respect to which the Customer is a Sanctioned Person or Sanctioned Entity;
- (n) that portion of Accounts which represent finance charges, service charges, sales taxes or excise taxes;
- (o) Accounts which have been restructured, extended, amended or otherwise modified without the prior written consent of WFB;
- (p) Accounts which have not been invoiced;
- (q) Accounts for which Client has not indicated on the invoice evidencing such Account that the Account has been assigned to and is payable only to WFB at such address or location as set forth in Section 6.2, if such notation is required by WFB in accordance with this Agreement;
- (r) Accounts or that portion of Accounts otherwise deemed ineligible by WFB in its sole discretion; or
- (s) Those Accounts or portion of Accounts that are not for services rendered by the Client, including Accounts for the sale of software, etc.;

Any Accounts which are not Acceptable Accounts shall nonetheless constitute Collateral.

"Accountants" means certified public accountants selected by Client and acceptable to WFB in its sole discretion.

"Adjusted Liquidity" means, as of any date of determination, an amount equal to (a) unrestricted cash of Client, plus (b) the face amount of all Accounts of Client net of reserves for bad debt, minus (c) the Obligations, minus (d) all accrued and unpaid payroll and payroll tax liability of Client.

"Agreement" means this Account Purchase Agreement, together with all schedules, riders and exhibits annexed hereto, as amended, restated, renewed, replaced, substituted, supplemented or otherwise modified from time to time.

"Ancillary Documents" means, with respect to any Account submitted by Client to WFB for sale, such documents as may be required and in form and content satisfactory to WFB in its sole discretion, including, without limitation:

(a) an assignment and schedule listing the Account, together with other Accounts then being purchased by WFB from Client, signed by an authorized representative of Client or uploaded to WFB electronically in form and manner acceptable to WFB and electronically signed by an authorized representative of Client;

(b) a copy of each contract for the sale of services or goods between Client and each Customer, and all amendments, supplements and modifications thereto;

(c) an original invoice or an electronic equivalent thereof;

(d) a copy of the bill of lading, if applicable;

(e) proof of delivery of the Goods or completion of the services covered by such Account;

(f) the purchase order, or purchase order number, as applicable, corresponding to such Account;

(g) the Notice of Assignment of Accounts, if required by WFB in its sole discretion; and

(h) any other documentation WFB may require in its sole discretion.

"Applicable State" means the State of Texas.

"Bank Product Obligations" shall have the meaning set forth in the Bank Products Supplement to Account Purchase Agreement dated the date hereof by and between WFB and Client, as amended and modified from time to time.

"Bank Product Provider" shall have the meaning set forth in the Bank Products Supplement to Account Purchase Agreement dated the date hereof by and between WFB and Client, as amended and modified from time to time.

"Business Day" means any day other than a Saturday, Sunday or other day on which WFB is required by law to close.

"Change of Control" means that (a) any "person" or "group" (within the meaning of Sections 13(d) and 14(d) of the Securities Exchange Act of 1934), other than Permitted Holders, becomes the beneficial owner (as defined in Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of 25%, or more, of the stock of Command Center having the right to vote for the election of members of the Board of Directors of Command Center, or (b) Command Center fails to own and control, directly or indirectly, 100% of the stock or equity interest of each other corporate Obligor.

"Client" shall have the meaning set forth in the introductory paragraph of this Agreement.

"Client Ledger Account" means, collectively, one or more ledger accounts maintained by WFB in the name of Client.

"Client Ledger Account Deficit" means, as of any given date, the excess of the aggregate amount of all debits and charges to the Client Ledger Account over the aggregate amount of all credits to the Client Ledger Account as of such date.

"Collateral" means all properties, assets and rights of Client, wherever located, whether now owned or hereafter acquired or arising, and all Proceeds and products thereof, including: all of Client's Accounts (including, without limitation, all Acceptable Accounts), Chattel Paper (including Electronic Chattel Paper), Commercial Tort Claims, Deposit Accounts, Documents, General Intangibles, Goods (including Inventory (including all merchandise and other Goods, and all additions, substitutions and replacements thereof, together with all Goods and materials used or usable in manufacturing, processing, packaging or shipping such Inventory) and Equipment), Instruments, Investment Property, Letter-of-Credit Rights, Returned Goods, and Supporting Obligations; all reserves, matured funds, credit balances and other property of Client in WFB's possession; all rights of stoppage in transit, replevin, repossession, reclamation and all other rights and remedies of an unpaid vendor; all of Client's Records; and all insurance policies and Proceeds and rights relating thereto.

"Commercial Dispute" means any dispute or claim in any respect, regardless of merit, (including, without limitation, any alleged dispute as to price, invoice terms, quantity, quality or late delivery and claims of release from liability, counterclaim or any alleged claim of deduction, offset, or counterclaim or otherwise) arising out of or in connection with an Acceptable Account or any other transaction related thereto.

"Contract Rate" means the Contract Rate set forth on Schedule 1 annexed hereto.

"Contract Year" shall mean the period commencing on the Effective Date through and including April 7, 2017, and each successive twelve (12) month period thereafter during the Term.

"Customer" shall mean a Person that purchases goods or services from Client.

"Daily One Month LIBOR" shall mean, for any date of determination, the rate per annum for United States dollar deposits with a maturity of one (1) month as reported on Reuters LIBOR01 Screen (or any successor page) at approximately 11:00 am London time on such date of determination or, if such day is not a London business day, then on the immediately preceding London business day. If such rate is not so reported, such rate shall be as determined by WFB from another recognized source or interbank quotation. When interest or any fee hereunder is determined in relation to Daily One Month LIBOR, each change in such interest rate or fee shall become effective each Business Day that WFB determines that Daily One Month LIBOR has changed.

"Default" means, an event, condition or occurrence which, with the giving of notice or lapse of time, or both could or would constitute an Event of Default.

"Default Rate" means the Default Rate set forth on Schedule 1 annexed hereto.

"Deficit Rate" means the Deficit Rate set forth on Schedule 1 annexed hereto.

"Effective Date" means the date on which WFB executes this Agreement as set forth below WFB's signature block on the signature page of this Agreement.

"Event of Default" shall have the meaning set forth in Section 10.1 of this Agreement.

"Existing Account Purchase Agreement" means the Account Purchase Agreement, dated February 19, 2010, by and between Client and WFB, as amended, refinanced, supplemented, or otherwise modified from time to time.

“Existing Obligations” shall mean all indebtedness, obligations and liabilities of Client to WFB under or pursuant to the Existing Account Purchase Agreement and the Existing Other Agreements.

“Existing Other Documents” means, collectively, all agreements, documents and/or instruments at any time executed or delivered in connection with the Existing Account Purchase Agreements, including, without limitation, all inventory supplements, letter of credit supplements, other supplements and schedules thereto, in each instance, as amended, refinanced, supplemented, or otherwise modified from time to time.

“Facility Fee” means the Facility Fee set forth on Schedule 1 annexed hereto.

“Field Examination Fees” means the Field Examination Fees set forth on Schedule 1 annexed hetero.

“GAAP” means generally accepted accounting principles as in effect from time to time in the United States of America, consistently applied.

“Governmental Authority” means any federal, state, local, or other governmental or administrative body, instrumentality, board, department, or agency or any court, tribunal, administrative hearing body, arbitration panel, commission, or other similar dispute-resolving panel or body.

“Indemnified Person” means each of WFB and its affiliates, and their respective shareholders, directors, officers, employees, attorneys and agents.

“Initial Term” means the Initial Term set forth on Schedule 1 annexed hereto.

“Insolvency Proceeding” means any proceeding under Title 11 of the United States Code or under the *Bankruptcy and Insolvency Act* (Canada) or the *Companies' Creditors Arrangement Act* (Canada) or any other federal, state or provincial proceeding instituted by or against a Person seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or any proceeding seeking the entry of an order for relief by the appointment of a receiver, trustee, custodian or similar official for its or a substantial part of its property.

“LC Supplement” means that certain Letter of Credit and Security Agreement, dated on or about the date hereof, by and between Client and WFB, as amended, restated, renewed, replaced, substituted, supplemented or otherwise modified.

“LC Sublimit” shall have the meaning ascribed to such term on Schedule 1 annexed hereto.

“Lien” means any mortgage, deed of trust, pledge, hypothecation, assignment, charge, deposit arrangement, encumbrance, easement, lien (statutory or other), security interest, or other security arrangement and any other preference, priority or preferential arrangement of any kind or nature whatsoever, including, without limitation, any conditional sale contract or other title retention agreement, the interest of a lessor under a capital lease and any synthetic or other financing lease having substantially the same economic effect as any of the foregoing.

“Material Adverse Change” means (a) a material adverse change in the business, prospects, operations, results of operations, assets, liabilities or condition (financial or otherwise) of Client, (b) a material impairment of Client's ability to perform its obligations under this Agreement or the Other Agreements to which it is a party or of WFB's ability to enforce the Obligations or realize upon the Collateral, (c) a material impairment of the enforceability or priority of WFB's Liens with respect to the Collateral as a result of an action or failure to act on the part of Client or (d) any claim against Client or threat of litigation which if determined adversely to Client, would result in the occurrence of an event described in clauses (a), (b) or (c) above.

"Maximum Facility Amount" means the Maximum Facility Amount set forth on Schedule 1 annexed hereto.

"Maximum Rate" means the maximum rate of interest under applicable law that WFB may charge Client: For purposes of determining the Maximum Rate under Texas law, the applicable rate ceiling shall be the weekly ceiling described in, and computed in accordance with, Chapter 303 of the Texas Finance Code; provided, however, that to the extent permitted by applicable law, WFB reserves the right to change, from time to time by further notice and disclosure to Client by WFB, the ceiling on which the Maximum Rate is based under the Texas Finance Code; and, provided further, that the Maximum Rate for purposes of this Agreement shall not be limited to the applicable weekly rate under the Texas Finance Code if federal laws or other state laws now or hereafter in effect and applicable to this Agreement (and the interest contracted for, charged and collected hereunder) shall permit a higher rate of interest.

"Maximum Terms Date" means the Maximum Terms Date set forth on Schedule 1 annexed hereto.

"Notation Fee" means the Notation Fee set forth on Schedule 1 annexed hereto.

"Notice of Assignment of Accounts" means a Notice of Assignment of Accounts executed and delivered by Client to WFB in form and substance satisfactory to WFB in its sole discretion.

"Obligations" means all charges, debts, liabilities, obligations, guaranties, covenants, duties and indebtedness of every nature at any time owing by Client to WFB or WFB's affiliates, whether evidenced by or arising under this Agreement, any Other Agreement or any note or other instrument or document, whether arising by law or otherwise, whether arising from an extension of credit, loan, guaranty, indemnification or otherwise, whether direct or indirect (including all indebtedness owing by Client for Goods and services purchased by Client from any entity whose Accounts are factored or financed by WFB, and all debts, liabilities and obligations acquired as a result of any purchase of, assignment of, participation in or other acquisition of Client's debts, liabilities or obligations owing to other entities), absolute or contingent, due or to become due, contractual or tortious, liquidated or unliquidated, now existing or hereafter arising (whether before or after the filing of any petition in bankruptcy by or against Client or the commencement of any other insolvency proceedings with respect to Client) including all interest, charges, expenses, fees, attorney's fees, consultant's fees, expert witness fees, Field Examination Fees, loan fees, termination fees, minimum interest charges, Bank Product Obligations, Repurchase Obligations and any other sums chargeable to Client or incurred by WFB under or in connection with this Agreement, the Other Agreements or the transactions contemplated hereby or thereby.

"Obligor" means, individually and collectively, Client and all Payment Guarantors. Obligors do not include any Person that is solely a Validity Guarantor.

"OFAC" means The Office of Foreign Assets Control of the U.S. Department of the Treasury.

"Other Agreements" means collectively, this Agreement, and all schedules, exhibits and/or riders attached hereto, any Ancillary Document and any supplement, agreement, guaranty, security agreement, notes, subordination agreement or other such instruments now or hereafter executed by Client or any other Obligor for the benefit of WFB in connection with this Agreement, all as amended, restated, renewed, replaced, substituted, supplemented or otherwise modified.

"Payment Guarantor" means any Person that now or hereafter executes a Payment Guaranty in favor of WFB including, without limitation, the Person or Persons set forth on the Schedule 1 annexed hereto. The term Guarantor shall not include any Person who executes a Validity Guaranty unless such Person also executes a Payment Guaranty.

"Payment Guaranty" means each guaranty of payment of the Obligations executed by a Payment Guarantor for the benefit of WFB, as amended, restated, renewed, replaced, substituted, supplemented or otherwise modified. The term Payment Guaranty shall not include a Validity Guaranty.

"Person" means and includes an individual, a corporation, a partnership, a joint venture, a limited liability company or partnership, a trust, an unincorporated association, a Governmental Authority or any other organization or entity.

"Purchase Price" means for any Acceptable Account purchased under this Agreement the gross face amount of such Acceptable Account, less any amount of any returns, trade discounts (which may be calculated on the shortest or longest terms, at WFB's option), credits or allowances, reductions or adjustments taken by or granted to the Customer, and any other charges with respect to such Acceptable Account multiplied by the Purchase Price Rate.

"Purchase Price Rate" means the Purchase Price Rate set forth on Schedule 1 annexed hereto. The Purchase Price Rate may be adjusted at any time and from time to time by WFB in WFB's sole discretion.

"Renewal Term" means the Renewal Term set forth on Schedule 1 annexed hereto.

"Repurchase Obligations" shall mean the obligation of Client to repurchase Accounts from WFB in accordance with the terms hereof, the amount of which obligation, as of any date of determination, is equal to the Repurchase Price, calculated as of such date of determination, of all Accounts for which a Settlement Date has not then occurred.

"Repurchase Price" means for any Acceptable Account purchased hereunder, an amount equal to (a) the Purchase Price paid by WFB with respect to such Acceptable Account, minus, (b) the lesser of (i) such Purchase Price and (ii) any amounts collected by WFB and retained from the Customer with respect to such Acceptable Account, and plus (c) all interest, fees, costs or expenses associated with the repurchase or collection of such Account.

"Reserves" means any amount, as determined by WFB in its sole discretion from time to time, as WFB deems necessary as security for the payment and performance of the Obligations, including, without limitation, an amount equal to the face amount of the letters of credit issued from time to time under the LC Supplement.

"Rules" shall have the meaning set forth in Section 12.18(b) of this Agreement.

"Sanctioned Entity" means (a) a country or a government of a country, (b) an agency of the government of a country, (c) an organization directly or indirectly controlled by a country or its government, (d) a Person resident in or determined to be resident in a country, in each case, that is subject to a country sanctions program administered and enforced by OFAC.

"Sanctioned Person" means a person named on the list of Specially Designated Nationals maintained by OFAC.

"Settlement Date" shall mean for each Account, the number of Settlement Days after the Business Day on which payment of such Acceptable Account is posted to the Client Ledger Account by WFB.

"Settlement Days" means the Settlement Days set forth on Schedule 1 annexed hereto.

"Term" means, collectively, the Initial Term and any Renewal Term.

"Termination Fee" means the Termination Fee set forth on Schedule 1 annexed hereto.

"UCC" means, unless otherwise provided with this Agreement, the Uniform Commercial Code as adopted by and in effect from time to time in the Applicable State, or in any other jurisdiction, as applicable.

"Validity Guarantor" means any Person that now or hereafter executes a Validity Guaranty in favor of WFB including, without limitation, the Person or Persons set forth on the Schedule 1 annexed hereto.

"Validity Guaranty" means each guaranty of (and limited to) the validity of, and certain representations and warranties related to, the Accounts executed by a Validity Guarantor for the benefit of WFB, as amended, restated, renewed, replaced, substituted, supplemented or otherwise modified.

"WFB" has the meaning set forth in the introductory paragraph of this Agreement.

Rider B
To
Account Purchase Agreement
Between
Wells Fargo Bank, National Association
And
Command Center, Inc.

REPRESENTATIONS AND WARRANTIES

Client hereby represents and warrants to WFB that at all times during the Term:

1. Organization. Client is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization.
2. Qualification to do Business. Client is duly qualified to do business and is in good standing in each jurisdiction where its ownership of property or the conduct of its business requires such qualification.
3. Compliance with Laws. Client operates its business in material compliance with all applicable local, state and federal laws.
4. Power and Authority. Client has all power and authority under the laws of Client's jurisdiction of organization and its articles of organization to conduct Client's business and to enter into, execute and deliver this Agreement and the Other Agreements and to perform its Obligations hereunder and thereunder, and has taken all necessary action to authorize the execution and delivery of this Agreement and the Other Agreements and the performance of its Obligations hereunder and thereunder.
5. Solvency. Client is solvent, is able to pay its debts as they mature, has capital sufficient to carry on its business and all businesses in which it is about to engage and the fair saleable value of its assets (calculated on a going concern basis) is in excess of the amount of its liabilities.
6. Collateral. Client has good title to the Collateral, free and clear of any Liens, except in favor of WFB, or as may be subject to an intercreditor agreement with WFB or to which WFB has consented in writing, in either case in form and content acceptable to WFB.
7. Accounts. Each Acceptable Account purchased by WFB hereunder (a) evidences an absolute, bona fide sale and delivery of goods or rendition of services in Client's ordinary course of business and such goods or services have been accepted by the Customer obligated thereon; (b) is genuine, valid and enforceable against the Customer obligated thereon in the full amount set forth on the invoice evidencing such Account, without offset, defense, counterclaim, deduction, recoupment or contra account; (c) is not subject to Commercial Dispute (real or alleged); (d) is owing by a Customer located in the United States and is payable in United States dollars; (e) is owing by a Customer that is not an affiliate of Client; (f) does not represent goods delivered upon "bill and hold", "consignment", "guaranteed sale", "sale or return", "payment on reorder" or similar terms; (g) is legally saleable and assignable by Client to WFB; (h) the invoice evidencing such Account, all Ancillary Documents and all other documents delivered to WFB in connection therewith are genuine and valid and are not mistaken, misleading, fraudulent, incorrect, incomplete or erroneous in any respect; (i) if arising from the sale of Inventory, such Inventory is owned by Client and is not subject to any consignment arrangement, encumbrance, security interest or Lien other than in favor of WFB; (j) shall not be altered or in any way modified without the prior written consent of WFB; and (k) has been issued in the name of Client or a trade style of Client specifically listed in the Ancillary Agreements Supplement, dated of even date herewith, by Client in favor of WFB.

Account Purchase Agreement

Rider B

8. Information Generally. All information submitted by Client to WFB, including in any Certification of Officers executed by Client in favor of WFB, is true, correct and complete.

9 . Financial Information. All financial information delivered by Client to WFB from time to time regarding Client's financial condition accurately reflects such financial condition as of the date of such information, and there has been no Material Adverse Change in Client's financial condition since the date of the financial statements most recently delivered by Client to WFB.

10 . Litigation. There are no actions or proceedings pending or, to Client's knowledge, threatened against or affecting Client, in which an adverse decision could reasonably be expected to cause a Material Adverse Change.

Schedule 1
to
Account Purchase Agreement
Between
Wells Fargo Bank, National Association
and
Command Center, Inc.

SELECTED ECONOMIC AND OTHER TERMS

| | |
|--------------------------|--|
| Settlement Days: | 0 days |
| Maximum Facility Amount: | \$14,000,000 |
| LC Sublimit | \$7,000,000 |
| Purchase Price Rate: | 90% |
| Contract Rate: | For each month, an interest rate per annum which is equal to Daily One Month LIBOR in effect from time to time plus 2.50%. |
| Deficit Rate: | 18% per annum. |
| Default Rate: | An interest rate per annum which is equal to the then applicable Contract Rate plus 50% of such Contract Rate. |
| Field Examination Fees: | \$900 per person per day, plus out-of-pocket costs. |
| Initial Term: | The period commencing on the Effective Date through and including April 7, 2018 |
| Renewal Term: | 24 months, commencing on the first day after the last day of the Initial Term or the immediately preceding Renewal Term, as applicable. |
| Payment Guarantors: | None |
| Validity Guarantors: | Frederick J. Sandford (validity) Ronald L. Junck (validity) Jeff Wilson (validity) |
| Maximum Terms Date: | With respect to an Acceptable Account, the ninetieth (90 th) day after the invoice date of such Account. |
| Insurance: | Client shall maintain insurance in such amounts and with such carriers as is acceptable to WFB, it being acknowledged and agreed that such insurance carriers and such insurance amounts maintained by Client as of the date hereof are acceptable to WFB as of the date hereof. |

Account Purchase Agreement

Schedule 1

FEES

Client shall pay to WFB each of the fees described below on the dates provided below. Each fee shall be fully earned on the Effective Date, may be charged by WFB to the Client Ledger Account when due and shall not be subject to refund, rebate or proration for any reason whatsoever. Client acknowledges, confirms and agrees that, upon prior written notice to Client, WFB may, in WFB's sole discretion, reasonably exercised, increase any fee set forth herein if WFB's cost of funds increases for any reason. Such change shall be effective upon the actual change in WFB's cost of funds.

1 . **Facility Fee.** On the Effective Date, and on each annual anniversary of the Effective Date, Client shall pay WFB a facility fee in an amount equal to 0.50% of the Threshold Amount (each, a "**Facility Fee**"). For purposes hereof, the term "**Threshold Amount**" shall mean \$10,000,000 provided that, if at any time the Adjusted Balance exceeds the then applicable Threshold Amount, such then applicable Threshold Amount shall be automatically increased, in minimum increments of \$1,000,000, until the Threshold Amount is not less than such Adjusted Balance (the date of each such increase, an "**Increase Date**"). The Threshold Amount, once increased in accordance with the foregoing, shall not be decreased except with the written consent of WFB. In addition, upon each increase of the Threshold Amount in accordance with the foregoing, Client shall pay to WFB, on the Increase Date therefor, an additional fee equal to 0.50% of the amount of such increase (each, an "**Increase Fee**"). For purposes hereof, the term "**Adjusted Balance**" means, as of any date of determination, the sum of (a) the aggregate Purchase Price of Acceptable Accounts for which a Settlement Date has not occurred minus (b) the balance in the Client Ledger Account. Each such Facility Fee and Increase Fee shall be fully earned as of the Effective Date, anniversary of the Effective Date or Increase Date, as the case may be. Any unpaid portion of any Facility Fee or Increase Fee arising prior to the termination of this Agreement shall be accelerated and be immediately payable upon termination of this Agreement.

2 . **Notation Fee.** In the event any invoice (or the electronic equivalent of an invoice) is sent or transmitted to any Customer without the notation required pursuant to Section 6.2, Client shall pay to WFB a Notation Fee in an amount equal to two and one-half percent (2.5%) of the face amount of such invoice, which Notation Fee shall be immediately due and payable as of the date that the applicable invoice was sent or transmitted to the Customer.

Schedule 2
to
Account Purchase Agreement
Between
Wells Fargo Bank, National Association
and
Command Center, Inc.

REPORTING REQUIREMENTS

Client shall timely deliver the following financial documentation to WFB:

- (a) Within 15 days after the end of each month, Client's accounts payable aging;
- (b) Within 15 days after the end of each month, Client's accounts receivable aging;
- (c) Within 30 days after the end of each month, Client's internally prepared financial statements for such month, together with evidence, satisfactory to WFB, of the payment and compliance by Client with all federal, state and local tax obligations;
- (d) On a quarterly basis, promptly upon the filing thereof with the Securities and Exchange Commission (and in any event with 45 days after the end of each quarter), Client's internally prepared financial statements for such quarter;
- (e) Within 90 days after the end of each fiscal year, Client's annual financial statements for such year, audited by the Accountants;
- (f) Promptly after the same are available, copies of all annual, regular, periodic and special reports and registration statements which a Client may file or be required to file with the Securities and Exchange Commission under Section 13 or 15(d) of the Securities Exchange Act of 1934;
- (g) Promptly, and in any event within five (5) Business Days after receipt thereof by any Client, copies of each notice or other correspondence received from the Securities and Exchange Commission (or comparable agency in any applicable non-U.S. jurisdiction) concerning any investigation or possible investigation or other inquiry by such agency regarding financial or other operational results of Command Center or any subsidiary thereof;
- (h) On or before 30 days prior to the first day of each of Client's fiscal years, Client's financial projections for such fiscal year; and
- (i) Promptly, upon WFB's request from time to time, such other financial information as WFB may request.

In addition, Client shall cause each Payment Guarantor who is a natural Person and who directly or indirectly holds 25% or more of the equity interests in Client (or such other percentage as WFB may establish from time to time in its discretion), and each Validity Guarantor who is a natural Person and who directly or indirectly holds 25% or more of the equity interests in Client (or such other percentage as WFB may establish from time to time in its discretion), to deliver to WFB, within 90 days after the end of each year, updated certified personal financial statements for such natural Person.

Account Purchase Agreement

CERTIFICATIONS

I, Frederick Sandford, 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 nor 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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.
 - 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 second fiscal quarter in the case of this quarterly 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.
 - b) Any fraud, whether material or not, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 15, 2017

By: /s/ Frederick Sandford

Frederick Sandford
Chief Executive Officer

CERTIFICATIONS

I, Colette Pieper, Chief Financial 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 nor 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 quarterly report.
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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.
 - 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 second fiscal quarter in the case of this quarterly 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.
 - b) Any fraud, whether material or not, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 15, 2017

By: /s/ Colette Pieper
Colette Pieper
Principal Accounting Officer

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 March 31, 2017, to be filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Frederick Sandford, 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.
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 15, 2017

By: /s/ Frederick Sandford

Frederick Sandford

Chief Executive Officer

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 March 31, 2017, to be filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Colette Pieper, 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.
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 15, 2017

By: /s/ Colette Pieper
Colette Pieper
Principal Accounting Officer
