

RUBICON FINANCIAL INC
Form 10-Q/A
March 15, 2012

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

FORM 10-Q/A
(Amendment No. 1)

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

For the quarterly period ended March 31, 2011

or

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

Commission File Number 000-29315

RUBICON FINANCIAL INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware	13-3349556
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

18872 MacArthur Boulevard	
First Floor	
Irvine, California	92612
(Address of principal executive offices)	(Zip Code)

(888) 668-9567
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has 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

Edgar Filing: RUBICON FINANCIAL INC - Form 10-Q/A

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, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

☐
☐

Accelerated filer

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

Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of Common Stock, \$0.001 par value, outstanding on May 17, 2011, was 15,033,439, which includes 135,416 shares authorized but unissued.

EXPLANATORY NOTE

Rubicon Financial Incorporated is filing this Amendment No. 1 to Form 10-Q (the “Amendment”) to amend its quarterly report for the three months ended March 31, 2011, as filed with the Securities and Exchange Commission on May 19, 2011 (the “Quarterly Report”). The purpose of this Amendment is to revise the Quarterly Report to reflect a change in the unrealized losses for marketable securities, as set forth in Footnote 5 and 14 to the financial statements, discovered as a result of comments received from the United States Securities and Exchange Commission. Except for the cover page and this explanatory note, this Amendment continues to speak as of the original filing date for the Quarterly Report and does not update the disclosures contained therein to reflect any events or results which occurred subsequent to the filing date of the original Quarterly Report other than (i) the changes to the Registrant’s financial statements and footnotes contained in Item 1 of this Amendment, (ii) to revise Item 4T to disclose the material weakness in accounting for other-than-temporary losses related to marketable securities, (iii) revise Item 2 to include the realized gain on investments of \$3,891, and (vi) include updated Section 302 and 906 certifications.

Table of Contents

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1.	<u>FINANCIAL STATEMENTS</u>	3
Item 2.	<u>MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	18
Item 3.	<u>CONTROLS AND PROCEDURES</u>	25
Item 4T.		25

PART II - OTHER INFORMATION

Item 1.	<u>LEGAL PROCEEDINGS</u>	26
Item 1A.	<u>RISK FACTORS</u>	28
	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	28
Item 2.	<u>DEFAULTS UPON SENIOR SECURITIES</u>	28
Item 3.	<u>(REMOVED AND RESERVED)</u>	28
Item 4.	<u>OTHER INFORMATION</u>	28
Item 5.	<u>EXHIBITS</u>	29
Item 6.		

<u>SIGNATURES</u>	30
-------------------	----

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Rubicon Financial Incorporated
Condensed Consolidated Balance Sheets

	March 31, 2011 (Unaudited) RESTATED	December 31, 2010 Audited
Assets		
Current assets:		
Cash	\$ 1,365,092	\$ 1,048,729
Cash – restricted	311,801	311,775
Marketable securities	141,857	193,633
Accounts receivable	794,410	839,601
Prepaid expenses	101,410	158,194
Notes receivable	204,276	134,276
Other current assets	17,716	15,988
Total current assets	2,936,562	2,702,196
Fixed assets, net of accumulated depreciation of \$231,519 and \$223,329, respectively	52,366	60,557
Other assets:		
Contract advances	252,083	54,838
Deposits	11,917	11,917
Intangible assets – customer list	2,403,671	2,403,671
Total other assets	2,667,671	2,470,426
Total assets	\$ 5,656,599	\$ 5,233,179
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 517,754	\$ 479,577
Accrued expenses	1,042,068	998,130
Investment obligation	487,000	487,000
Deferred revenue	131,606	191,193
Note payable, current portion	271,192	133,082
Contingent liabilities	459,350	681,359
Total current liabilities	2,908,970	2,970,341
Long term liabilities:		
Note payable	96,507	42,320
Stockholders' equity		
Preferred stock, \$0.001 par value, 9,000,000 shares authorized, no shares issued and outstanding as of March 31, 2011 and December 31, 2010, respectively	-	-
Preferred series “A”, \$0.001 par value, 1,000,000 shares authorized, 62,500 shares issued and outstanding	63	63

as of March 31, 2011 and December 31, 2010,
respectively

Common stock, \$0.001 par value, 50,000,000
shares

authorized, 14,898,023 and 14,048,023 shares
issued

and outstanding as of March 31, 2011 and

December 31, 2010, respectively	14,898	14,047
---------------------------------	--------	--------

Common stock owed but not issued, 250,000 and
1,000,000 shares as

of March 31, 2011 and December 31, 2010, respectively	250	1,000
--	-----	-------

Additional paid in capital	18,369,343	18,259,444
----------------------------	------------	------------

Other comprehensive losses	42,420	70,838
----------------------------	--------	--------

Accumulated (deficit)	(15,775,852)	(16,124,874)
-----------------------	---------------	---------------

Total stockholders' equity	2,651,122	2,220,518
----------------------------	-----------	-----------

Total liabilities and stockholders' equity	\$ 5,656,599	\$ 5,233,179
--	--------------	--------------

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

Table of Contents

Rubicon Financial Incorporated
Condensed Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended March 31,	
	2011 RESTATED	2010
Revenue	\$ 4,368,904	\$ 3,509,790
Expenses:		
Direct costs	3,440,804	2,862,391
Consulting	72,715	57,615
Professional fees	(88,067)	228,386
Executive compensation	141,716	91,500
General and administrative expenses	452,242	389,659
Depreciation	8,191	13,330
Total operating expenses	4,027,601	3,642,881
Net operating income (loss)	341,303	(133,091)
Other income (expense):		
Interest expense	(4,795)	(5,535)
Interest income	8,698	3,384
Gain on sale of investments	3,891	-
Other income	(75)	7,811
Total other income (expense)	7,719	5,660
Net income (loss)	349,022	(127,431)
Other comprehensive income (loss)	(28,418)	(220,386)
Total comprehensive income (loss)	\$ 320,604	\$ (347,817)
Weighted average number of common shares		
Outstanding – basic and fully diluted	14,303,023	14,098,023
Net income (loss) per share – basic and fully diluted	\$ 0.02	\$ (0.01)

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

Table of Contents

Rubicon Financial Incorporated
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	For the Three Months Ended March 31,	
	2011 RESTATED	2010
Cash flows from operating activities	\$ 349,022	\$ (127,431)
Adjustments to reconcile net (loss) to net cash (used) in operating activities:		
Depreciation expense	8,191	13,330
Gain on sale of investments	(3,891)	-
Stock issued for compensation	110,000	-
Changes in operating assets and liabilities		
Accounts receivable	45,191	(151,970)
Prepaid expenses	56,784	23,111
Accrued interest receivable	(1,728)	(1,863)
Deposits and other assets	-	17,781
Accounts payable and accrued liabilities	(140,761)	216,779
Deferred revenue	(59,587)	(9,815)
Contract advances	(197,245)	-
Note receivable	(70,000)	-
Net cash (used) by operating activities	95,976	(20,078)
Cash flows from investing activities		
Purchase of fixed assets	-	(8,450)
Proceeds from sale of investments	28,116	-
Purchase of investments	-	18,282
Net cash (used) by investing activities	28,116	9,832
Cash flows from financing activities		
Proceeds from line of credit	-	(468)
Payments on note payable	(107,703)	-
Proceeds from note payable	300,000	76,500
Net cash provided by financing activities	192,297	76,032
Net (decrease) increase in cash	316,389	65,786
Cash – beginning	1,360,504	1,058,558
Cash – ending	\$ 1,676,893	\$ 1,124,344
Supplemental disclosure		
Interest paid	\$ 4,795	\$ 5,535
Income taxes paid	\$ -	\$ -
Non-cash financing activities:		
Shares and options issued for services	\$ 110,000	\$ -

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

Table of Contents

Rubicon Financial Incorporated
Notes to Condensed Consolidated Financial Statements

NOTE 1 – Significant Accounting Policies and Procedures

Organization

The Company was incorporated in the State of Delaware on April 28, 1986 (“Inception”) and was formerly known as Art World Industries (“AWI”). On August 6, 2002, the Company changed its name to ISSG, Inc. In addition, on March 9, 2004, the Company completed the acquisition of a wholly owned subsidiary, Dial-A-Cup Corporation (“DAC”), a New York Corporation. Further, on June 2, 2005, the Company completed a merger with Rub Investments Ltd., (“Rub”) on September 6, 2006; the Company changed its name to Rubicon Financial Incorporated. Effective February 1, 2007, the Company completed a merger with Rubicon Financial Insurance Services, Inc. a California corporation (“RFIS”), pursuant to an agreement and plan of merger. The agreement and plan of merger provided that ISSG Sub, Inc. our wholly owned subsidiary, merged with and into RFIS, with RFIS as the surviving corporation and new wholly-owned subsidiary of the Company. The Company issued 50,000 shares of its common stock in exchange for 100% of the outstanding shares of RFIS. On February 13, 2007, the Company formed a wholly owned subsidiary, Rubicon Securities, Inc., a Nevada corporation. Effective May 11, 2007, the Company acquired Rubicon Real Estate and Mortgages, Inc., a California corporation (“RREM”), pursuant to an agreement and plan of merger. The agreement and plan of merger provided that DeeSound, Inc. our wholly owned subsidiary, merged with and into RREM, with RREM as the surviving corporation and new wholly owned subsidiary of the Company. The Company issued 1,159,000 shares of its common stock in exchange for 100% of the outstanding shares of RREM. On June 2, 2008, the Company completed its acquisition of Newport Coast Securities, Inc. (“NCS”) (formerly Grant Bettingen, Inc.), a California corporation registered with the Financial Industry Regulatory Authority. Pursuant to an agreement and plan of merger, the Company issued 1,200,000 shares of its common stock and agreed to pay cash totaling \$974,000 in exchange for 100% of the outstanding shares of NCS. During the year ended December 31, 2010, the Company dissolved RREM and disposed of RFIS.

Principles of Consolidation

The financial statements as of December 31, 2010 and for the three months ended March 31, 2010 include those of: Rubicon Financial Incorporated (“Rubicon”); and its wholly owned subsidiaries, Rubicon Financial Insurance Services, Inc. (“RFIS”), Rubicon Real Estate and Mortgages, Inc. (“RREM”), Newport Coast Securities, Inc. (“NCS”). During the year ended December 31, 2010, the Company dissolved RREM and disposed of RFIS. Neither RREM or RFIS have any assets as of December 31, 2010 or March 31, 2011 and neither subsidiary has material activity on the income statement for the year ended December 31, 2010. Neither subsidiary is included in the activity for the three months ended March 31, 2011. All significant inter-company transactions and balances have been eliminated. RBCF and its subsidiaries are collectively referred to herein as the “Company”.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported periods. Actual results could materially differ from those estimates. Significant estimates made by management include the recoverability of intangible assets.

Cash Equivalents

The Company maintains cash balances in interest and non-interest bearing accounts. For the purpose of these financial statements, all highly liquid cash and investments with a maturity of three months or less are considered to be cash equivalents.

Table of Contents

Fixed Assets

Property and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The Company uses other depreciation methods (generally accelerated) for tax purposes where appropriate. The estimated useful lives for significant property and equipment categories are as follows:

Equipment	3-5 years
Furniture	7 years

The Company reviews the carrying value of property, plant, and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there were no impairments needed as of December 31, 2010 or March 31, 2011. Depreciation expense for the three months ended March 31, 2011 and 2010 was \$8,191 and \$13,330, respectively.

Impairment of long-lived assets

The Company reviews its long-lived assets and intangibles periodically to determine potential impairment by comparing the carrying value of the long-lived assets with the estimated future cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future cash flows be less than the carrying value, the Company would recognize an impairment loss. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value of the long-lived assets and intangibles. The Company recognized no impairment losses during the three months ended March 31, 2011 or 2010.

Revenue Recognition

The Company recognizes revenue in accordance with ASC subtopic 605-10 (formerly SEC Staff Accounting Bulletin No. 104 and 13A, "Revenue Recognition") net of expected cancellations and allowances. As of March 31, 2011 and December 31, 2010, the Company evaluated evidence of cancellation in order to make a reliable estimate and determined there were no material cancellations during the years and therefore no allowances has been made.

For real estate and/or mortgage services, the Company recognizes revenue upon the closing of a sale of real estate and/or mortgage.

Investment banking revenues and advisory fees from mergers, acquisitions and restructuring transactions are recorded when services for the transactions are determined to be completed, generally as set forth under the terms of the engagement. Transaction related expenses, primarily consisting of legal, travel and other costs directly associated with the transaction, are deferred and recognized in the same period as the related investment banking transaction revenue. Underwriting revenues are presented net of related expenses. The Company recognizes commissions from its broker services based on a settlement date basis. Fees billed and collected before services are performed are included in deferred revenue. Normal expenses are recorded when the obligation is incurred.

Available-for-sale securities

The Company classifies its marketable equity securities as available-for-sale and they are carried at fair market value, with the unrealized gains and losses included in the determination of comprehensive income and reported in stockholders' equity.

Table of Contents

Income Taxes

The Company follows ASC subtopic 740-10 (formerly Statement of Financial Accounting Standard No. 109, “Accounting for Income Taxes”) for recording the provision for income taxes. ASC 740-10 requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability each period. If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change.

Deferred income taxes may arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred taxes are classified as current or non-current, depending on the classification of assets and liabilities to which they relate. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or non-current depending on the periods in which the temporary differences are expected to reverse.

Fair Value of Financial Instruments

The Company has financial instruments whereby the fair value of the financial instruments could be different from that recorded on a historical basis in the accompanying balance sheets. The Company's financial instruments consist of cash, receivables, accounts payable, accrued liabilities, and notes payable. The carrying amounts of the Company's financial instruments approximate their fair values as of March 31, 2011 and December 31, 2010 due to their short-term nature. See Note 13 for further details.

Loss per Common Share

Net loss per share is computed in accordance with ASC subtopic 260-10. The Company presents basic loss per share (“EPS”) and diluted EPS on the face of consolidated statements of operations. Basic EPS is computed by dividing reported earnings by the weighted average shares outstanding. Diluted EPS is computed by adding to the weighted average shares the dilutive effect if stock options and warrants were exercised into common stock. For the three months ended March 31, 2010, the denominator in the diluted EPS computation is the same as the denominator for basic EPS due to the anti-dilutive effect of the warrants and stock options on the Company's net loss. As of March 31, 2011, the diluted EPS is the same as the basic EPS because there were no in-the-money options or warrants or other items that could be converted into common stock.

Reclassifications

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or retained earnings.

Recent Pronouncements

On July 1, 2009, FASB issued SFAS No. 168, “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles”, also known as FASB Accounting Standards Codification (“ASC”) 105, “Generally Accepted Accounting Principles” (“ASC 105”) (the Codification). ASC 105 establishes the exclusive authoritative reference for U.S. GAAP for use in financial statements, except for SEC rules and interpretive releases, which are also authoritative GAAP for SEC registrants. The Codification will supersede all existing non-SEC accounting and reporting standards. Management has determined that adoption of this pronouncement has not material impact on the financial statements.

The FASB issued ASC subtopic 855-10 (formerly SFAS 165 “Subsequent Events”), incorporating guidance on subsequent events into authoritative accounting literature and clarifying the time following the balance sheet date which management reviewed for events and transactions that may require disclosure in the financial statements. The Company adopted this standard effective the second quarter of 2009. The standard increased our disclosure by requiring disclosure reviewing subsequent events. ASC 855-10 is included in the “Subsequent Events” accounting guidance.

Table of Contents

In April 2009, the FASB issued ASC subtopic 820-10 (formerly Staff Position No. FAS 157-4, Determining Fair Value When Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly"). ASC 820-10 provides guidance on how to determine the fair value of assets and liabilities when the volume and level of activity for the asset/liability has significantly decreased. FSP 157-4 also provides guidance on identifying circumstances that indicate a transaction is not orderly. In addition, FSP 157-4 requires disclosure in interim and annual periods of the inputs and valuation techniques used to measure fair value and a discussion of changes in valuation techniques. The Company evaluated the effect of the adoption of FSP 157-4 and determined that it did not have a material impact on its results of operations and financial position.

In July 2006, the FASB issued ASC subtopic 740-10 (formerly Interpretation No. ("FIN") 48, "Accounting for Uncertainty in Income Taxes"). ASC 740-10 sets forth a recognition threshold and valuation method to recognize and measure an income tax position taken, or expected to be taken, in a tax return. The evaluation is based on a two-step approach. The first step requires an entity to evaluate whether the tax position would "more likely than not," based upon its technical merits, be sustained upon examination by the appropriate taxing authority. The second step requires the tax position to be measured at the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement. In addition, previously recognized benefits from tax positions that no longer meet the new criteria would no longer be recognized. The application of this Interpretation will be considered a change in accounting principle with the cumulative effect of the change recorded to the opening balance of retained earnings in the period of adoption. Adoption of this new standard did not have a material impact on our financial position, results of operations or cash flows.

In April 2008, the FASB issued ASC 815-40 (formerly Emerging Issues Task Force ("EITF") 07-05, "Determining whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock"). ASC 815-40 applies to any freestanding financial instruments or embedded features that have the characteristics of a derivative, and to any freestanding financial instruments that are potentially settled in an entity's own common stock. ASC 815-40 is effective for financial statements issued for fiscal years beginning after December 15, 2008. The adoption of this pronouncement did not have a material impact on its financial position, results of operations or cash flows.

In June 2009, the FASB issued ASC 105 Accounting Standards Codification TM and the Hierarchy of Generally Accepted Accounting Principles. The FASB Accounting Standards Codification TM (the "Codification") has become the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in accordance with Generally Accepted Accounting Principles ("GAAP"). All existing accounting standard documents are superseded by the Codification and any accounting literature not included in the Codification will not be authoritative. Rules and interpretive releases of the SEC issued under the authority of federal securities laws, however, will continue to be the source of authoritative generally accepted accounting principles for SEC registrants. Effective September 30, 2009, all references made to GAAP in our consolidated financial statements will include references to the new Codification. The Codification does not change or alter existing GAAP and, therefore, did not have an impact on our financial position, results of operations or cash flows.

In June 2009, the FASB issued changes to the consolidation guidance applicable to a variable interest entity (VIE). FASB ASC Topic 810, "Consolidation," amends the guidance governing the determination of whether an enterprise is the primary beneficiary of a VIE, and is, therefore, required to consolidate an entity, by requiring a qualitative analysis rather than a quantitative analysis. The qualitative analysis will include, among other things, consideration of who has the power to direct the activities of the entity that most significantly impact the entity's economic performance and who has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. This standard also requires continuous reassessments of whether an enterprise is the primary beneficiary of a VIE. FASB ASC 810 also requires enhanced disclosures about an enterprise's involvement with a VIE. Topic 810 is effective as of the beginning of interim and annual reporting periods that begin after November 15, 2009. The adoption of this pronouncement did not have a material impact on its financial position, results of operations or cash

flows.

In June 2009, the FASB issued Financial Accounting Standards Codification No. 860 - Transfers and Servicing. FASB ASC No. 860 improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. FASB ASC No. 860 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. The adoption of this pronouncement did not have a material impact on its financial position, results of operations or cash flows.

In November 2008, the Securities and Exchange Commission ("SEC") issued for comment a proposed roadmap regarding potential use of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Under the proposed roadmap, the Company would be required to prepare financial statements in accordance with IFRS in fiscal year 2014, including comparative information also prepared under IFRS for fiscal 2013 and 2012. The Company is currently assessing the potential impact of IFRS on its financial statements and will continue to follow the proposed roadmap for future developments.

Year-end

The Company has adopted December 31, as its fiscal year end.

Basis of Presentation

The unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and reflect all adjustments which, in the opinion of management, are necessary for a fair presentation. All such adjustments are of a normal recurring nature. The results of operations for the interim period are not necessarily indicative of the results to be expected for a full year. Certain amounts in the prior year statements have been reclassified to conform to the current year presentations. The statements should be read in conjunction with the financial statements and footnotes thereto included in our audit for the year ended December 31, 2010.

Table of Contents

NOTE 2 – Going concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has an accumulated deficit of \$15,775,852 since inception and incurred net losses of \$1,729,039 and \$467,960 for the years ended December 31, 2010 and 2009. These conditions give rise to doubt about the Company's ability to continue as a going concern. These financial statements do not include adjustments relating to the recoverability and classification of reported asset amounts or the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to generate profitability, obtain additional financing, or obtain proceeds from the sale of its stock.

NOTE 3 – Restricted Cash

The Company's wholly owned subsidiary, NCS, has entered into securities clearing agreements with Penson Financial Services, Inc. ("Penson") and Wedbush Morgan Securities, Inc. ("Wedbush"). Pursuant to these agreements, the Company is required to maintain a deposit account with each respective clearing firm in amounts determined based on the Company's transaction volume. As of March 31, 2011, the Company maintained deposits with Penson of \$250,405 and Wedbush of \$61,396, respectively, for total restricted cash of \$311,801. As of December 31, 2010, the Company maintained deposits with Penson and Wedbush of \$250,405 and \$61,370, respectively, for total restricted cash of \$311,775.

NOTE 4 – Intangible Assets – customer lists

During the year ended December 31, 2008, the Company consummated the acquisition of 100% of the outstanding common shares of NCS. As a result of the acquisition, Rubicon identified intangible assets in the NCS customer lists that were valued at \$2,403,671. This asset was evaluated for impairment as of December 31, 2010 and 2009 and management determined that no impairment was needed.

Total intangible assets as of March 31, 2011 and December 31, 2010 were \$2,403,671 and \$2,403,671, respectively.

NOTE 5 - Marketable securities

The Company classifies its marketable equity securities as available-for-sale and carries them at fair market value, with the unrealized gains and losses included in the determination of comprehensive income and reported in stockholders' equity.

Losses that the Company believes are other-than-temporary are realized in the period that the determination is made. As of March 31, 2011, the Company believed that all unrealized losses are not other-than-temporary based on market conditions and the volatility of investments being held. During the 4th quarter of the year ended December 31, 2010, the Company made the determination that two of the investments had unrealized losses that were other-than-temporary and realized the losses. All other unrealized losses and gains will be excluded from earnings and reported in other comprehensive income until realized. None of the investments have been hedged in any manner.

As of December 31, 2010:

The Company held thirteen investments in publically-traded common stock in various corporations with an aggregate cost of \$122,795 (\$1,274,710 before recognition of other than temporary losses as noted below) and a fair market value, based on published market prices, of \$193,633. The accumulated unrealized gains on these securities is \$70,838 and is shown as accumulated other comprehensive gain on these financial statements as of December 31, 2010.

Of the above investments, there are eleven investments with an aggregate cost of \$610 and an aggregate fair market value of \$71,448. Of these investments, three were in loss positions for a total aggregate unrealized loss of \$2,803 and only one had been in a loss position for more than twelve months. The investment that had been in a loss position

for more than twelve months has a cost of \$1,275 and a fair market value of \$313 and \$187 as of December 31, 2010 and 2009, respectively.

An investment in the publically-traded common stock of Clean Coal Technologies, Inc. had a cost of \$300,000 and a fair market value of \$423 as of December 31, 2010. This investment has been in a loss position for over twelve months. During the 4th quarter ended December 31, 2010, the Company made the determination that this unrealized loss was other-than-temporary and should be realized. During the year ended December 31, 2010, a total of \$299,577 was adjusted from unrealized to realized and the amount was moved from the other accumulated comprehensive loss on the balance sheet to the realized loss on investments on the statement of operations.

An investment in the publically-traded common stock of American International Industries, Inc. had a cost of \$974,100. This investment has been in a loss position for over twelve months. During the 4th quarter ended December 31, 2010, the Company made the determination that this unrealized loss was other-than-temporary and should be realized. During the year ended December 31, 2010, a total of \$852,338 was adjusted from unrealized to realized and the amount was moved from the other accumulated comprehensive loss on the balance sheet to the realized loss on investments on the statement of operations.

In total, during the 4th quarter ended December 31, 2010, \$1,151,915 was adjusted from unrealized to realized and the amount was moved from the other accumulated comprehensive loss on the balance sheet to the realized loss on investments on the statement of operations.

As of March 31, 2011:

The Company held fifteen investments in publically-traded common stock in various corporations with an aggregate cost of \$99,860 (\$1,251,775 before recognition of other than temporary losses as noted above) and a fair market value, based on published market prices, of \$141,857. The accumulated unrealized gains on these securities is \$42,420 and is shown as accumulated other comprehensive gain on these financial statements as of March 31, 2011. Of these investments, five were in loss positions for a total aggregate unrealized loss of \$15,380 and two had been in a loss position for more than twelve months. The investments that had been in a loss position for more than twelve months had a cost of \$98,812 and a fair market value of \$85,701 as of March 31, 2011.

During the three months ended March 31, 2011, investments with a cost of \$24,225 were sold for \$28,116 producing a realized gain of \$3,891.

Table of Contents

NOTE 6 – Notes receivable

On April 18, 2008, Rubicon amended its \$20,000 note receivable with its RREM subsidiary, whereby Joel Newman, the former President of RREM accepted full liability for the principal balance of \$20,000. The amended terms require interest to accrue at a rate of 6% per annum and matured on April 18, 2009. In addition, Mr. Newman owes \$5,000 in the form of a demand note, which accrues interest at a rate of 6% per annum. On March 18, 2008, Rubicon received the initial payment of \$898 representing principal in the amount of \$798 and interest of \$100. The combined outstanding principal balance as of December 31, 2009 was \$24,202. Accrued interest earned on this note was \$2,858 as of December 31, 2009. During the year ended December 31, 2010, the Company and Mr. Newman reached an agreement consolidating the outstanding principal balance and accrued interest balance into a new note in the amount of \$27,739. The note bears interest of 6% and was due on December 31, 2010. As of December 31, 2010 the note balance was \$15,239 and the balance of accrued interest was \$488. As of March 31, 2011, the note balance was \$15,239 and the balance of accrued interest was \$716.

On June 3, 2008, Rubicon was issued a note receivable in the amount of \$100,000 from Marc Riviello pursuant to the “Stock Repurchase and Settlement Agreement”. The note accrues interest at a rate of 6% per annum and was due June 1, 2009. The loan was not repaid and subsequently the Company took legal action against Mr. Riviello and won an initial settlement claim in excess of \$100,000. As of March 31, 2011, the Company has not been able to collect on the principal balance and the balance remains \$100,000. Accrued interest earned on this note was \$17,000 as of March 31, 2011 and \$15,500 as of December 31, 2010. The Company has initiated collection procedures and management feels very comfortable that the full amount will be collected.

On December 27, 2010, Rubicon was issued a note receivable in the amount of \$19,037. The note does not bear interest and is due in monthly installments through May of 2013. The balance of the note as of March 31, 2011 was \$19,037.

On March 30, 2011, Rubicon was issued a note receivable in the amount of \$70,000. The note does not bear interest and is due in six monthly installments from July to December of 2011.

NOTE 7 – Related Party Transactions

All intercompany transactions have been eliminated in consolidation. All intercompany balances do not bear interest.

In May of 2010, the Company authorized 750,000 shares of its restricted common stock to an employee and two officers for their services. The fair value of the shares issued was \$150,000, or \$0.20 per share, and was expensed as of December 31, 2010. As of December 31, 2010, the shares have not been issued yet and are shown as common stock owed but not issued. 850,000 of the shares were issued and 150,000 shares were canceled in the three months ended March 31, 2011.

As of March 31, 2011 and December 31, 2010, the Company owed accrued payroll to one of its officers/directors in the amount of \$13,500.

During the year ended December 31, 2010, the Company sold its RFIS subsidiary to an officer of the company in return for 50,000 shares of the company’s common stock held by the officer. The common stock was valued at \$19,000 using the market value as of the date of the transaction and cancelled upon receipt. A gain on the disposition of \$156,554 was recorded in the year ended December 31, 2010.

NOTE 8 – Notes payable

Notes payable consist of the following at March 31, 2011 and December 31, 2010:

March 31,	December 31,
-----------	--------------

	2011	2010
Promissory note to a bank for \$100,000 secured by cash held in impound account at the bank. Bears interest at the prime rate and matures in March of 2013.	67,699	75,402
Promissory note to a bank for \$100,000, secured by cash held at the bank. Bears variable interest of the same percentage as the collateral plus 2.8% and matures on March 11, 2014	100,000	-
Promissory note to a bank for \$200,000, secured by cash held at the bank. Bears variable interest of the same percentage as the collateral plus 2.8% and matures on March 11, 2012	200,000	-
Promissory note to an unrelated party for \$100,000, unsecured, interest of 10%, due on January 31, 2011. The Company is currently in discussions for an extension on this note.	-	100,000
	\$367,699	\$175,402

Table of Contents

As of December 31, 2010, \$133,082 of the notes payable is short-term and \$42,320 is long-term. As of March 31, 2011, \$271,192 of the notes payable is short-term and \$96,507 is long-term.

Interest expense for the three months ended March 31, 2011 and 2010 was \$4,795 and \$5,535 respectively.

NOTE 9 – Stockholders' equity

Common stock

The Company is authorized to issue 50,000,000 shares of Common Stock, \$0.001 par value per share. Holders of shares of common stock are entitled to one vote for each share on all matters to be voted on by the stockholders, are without cumulative voting rights, and are entitled to share ratably in dividends. In the event of a liquidation, dissolution, or winding up of the Company, the holders of shares of Common Stock are entitled to share pro rata all assets remaining after payment in full of all liabilities. Holders of Common Stock have no preemptive rights to purchase the Company's Common Stock. There are no conversion rights or redemption or sinking fund provisions with respect to the common stock.

Preferred Stock

The Company is authorized to issue 10,000,000 shares of \$0.001 par value preferred stock; of which 1,000,000 shares are designated as 8% Series A Convertible Preferred Stock. The preferred stock may be issued from time to time by the board of directors as shares of one or more classes or series.

8% Series A Convertible Preferred Stock

Holders of 8% Series A Convertible Preferred Stock shall not have the right to vote on matters that come before the stockholders. The Series A Convertible Preferred Stock is redeemable at the Company's option, in whole or in part, at a redemption price of \$2.00 per share. Series A Convertible Preferred Stock may be converted at a rate of four shares of common stock for each share of Series A Convertible Preferred stock. Series A Convertible Preferred Stock ranks senior to common stock in the event of liquidation. Holders' of Series A Convertible Preferred Stock shall be entitled to a 8% annual dividend payable in cash or common stock at a rate of \$0.50 per share, accrued and payable on a semi-annual basis, subject to adjustments resulting from stock splits, recapitalization, or share combination.

As of December 31, 2009, there were 62,500 preferred shares and 14,098,023 common shares issued and outstanding. There were no shares owed but not issued.

2010

In May of 2010, the Company authorized 750,000 shares of its restricted common stock to an employee and two officers for their services. The fair value of the shares issued was \$150,000, or \$0.20 per share, and was expensed as of December 31, 2010. As of December 31, 2010, the shares have not been issued yet and are shown as common stock owed but not issued. As of March 31, 2011, 600,000 of these shares had been issued and 150,000 shares had been canceled.

In May of 2010, the Company authorized 250,000 shares of its common stock in satisfaction of \$50,000 of accounts payable from previous years. As of December 31, 2010, the shares have not been issued yet and are shown as common stock owed but not issued. As of March 31, 2011, all of these shares had been issued.

In September of 2010, the Company sold its RFIS subsidiary to an officer of the company in return for 50,000 shares of the company's common stock held by the officer. The shares were cancelled. See note 8 for further details.

As of December 31, 2010, there were 62,500 preferred shares and 14,048,023 common shares issued and outstanding. There were 1,000,000 common shares owed but not issued.

2011

In March of 2011, 850,000 shares owed as of the end of 2010 were issued and 150,000 were canceled.

12

Table of Contents

In February of 2011, 250,000 shares were granted to a new employee as a signing bonus. As of March 31, 2011, these shares had not been issued and are therefore shown as owed but not issued on these financial statements. The shares were valued at market value on the day they were granted.

As of March 31, 2011, there were 62,500 preferred shares and 14,898,023 common shares issued and outstanding. There were 250,000 common shares owed but not issued.

NOTE 10 – Warrants and options

Warrants

During the year ended December 31, 2009, the company issued 10,000 common stock purchase warrants to an individual as enticement for a short-term \$30,000 loan. The 10,000 warrants give the holder the right to purchase 10,000 shares of common stock of the Company for \$0.30 per share. These warrants expired on December 18, 2010.

As of March 31, 2011 and December 31, 2010, there are no outstanding warrants.

Options

On January 1, 2007, the Company granted options to purchase up to 500,000 shares of its common stock pursuant to its employment agreement with the chief executive officer. The holder has the right to purchased up to 500,000 shares of common stock of the Company for an aggregate purchase price of \$500,000 or \$1 per share.

On February 1, 2007, the Company granted options to purchase up to 300,000 shares of its common stock pursuant to its employment agreement between RFIS, its wholly owned subsidiary, and its executive. The options vest at the rate of one option for every \$0.50 of net income generated by RFIS at the end of each fiscal year, based upon the RFIS's audited financial statements. As of September of 2010, no options had been earned. In September of 2010, RFIS was disposed, therefore the granted options will never vest and have therefore been cancelled.

On June 2, 2008, the Company granted Mr. Grant Bettingen an option to purchase 500,000 shares of its common stock with an exercise price of \$1.00 pursuant to his employment agreement with NCS.

A summary of stock options and warrants as of March 31, 2011 and December 31, 2010 is as follows:

	Options	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding as of 01/01/10:	1,300,000	\$ 1.33	10,000	\$ 0.30
Granted	-	-	-	-
Cancelled	(300,000)	2.45	-	-
Expired	-	-	(10,000)	3.00
Outstanding as of 12/31/10:	1,000,000	\$ 1.00	-	\$ -
Granted	-	-	-	-
Cancelled	-	-	-	-
Expired	-	-	-	-
Outstanding as of 3/31/11:	1,000,000	\$ 1.00	-	\$ -
Vested as of 3/31/11:	1,000,000	\$ 1.00	-	\$ -

Table of Contents

NOTE 11 – Operating Segments

Rubicon's operating segments are evidence of its internal organization. The major segments are defined by the type of financial services offered. Each segment operates in a distinct industry: brokerage services (NCS), mortgage and real estate services (RREM) and personal and commercial insurance services (RFIS). During 2010, RREM and RFIS were dissolved and disposed, respectively and therefore have no activity in the three months ended March 31, 2011. Where applicable, "Corporate" represents items necessary to reconcile to the consolidated financial statements, which generally include corporate activity at the parent level and eliminations.

Net revenues as shown below represent commissions earned for each segment. Intercompany revenues have been eliminated and are immaterial for separate disclosure.

The Company evaluates performance of individual operating segments based on pre-tax income (loss). On a consolidated basis, this amount represents total net loss as shown in the consolidated statement of operations. Reconciling items represent corporate costs that are not allocated to the operating segments including; insurance, office, legal, accounting, depreciation, executive compensation, and other professional services expenses. Such costs have not been allocated from the parent to the subsidiaries.

	The Three Months Ended March 31,	
	2011	2010
Revenue		
Insurance services	\$ -	\$ 85,184
Brokerage services	4,368,904	3,424,606
	4,368,904	3,509,790
Expenses		
Insurance services	-	78,367
Brokerage services	3,730,919	3,455,507
Corporate	288,963	103,347
	4,019,882	3,637,221
Net income (loss)	\$ 349,022	\$ (127,431)

NOTE 12 – Commitments and Contingencies

Litigation

Grant Bettingen Lawsuit:

In July of 2009, the Company filed its first amended complaint against Grant Bettingen and Grant Bettingen, as Trustee of the 1999 Bettingen Trust U/D/T October 8, 1999, seeking damages for (i) Breach of Contract, (ii) Fraud, (iii) Declaratory Relief, (iv) Breach of Covenant of Good Faith and Fair Dealing, and (v) Unjust Enrichment. These claims arise from the June 2008 merger between the Company and NCS (then known as Grant Bettingen, Inc.) On or about August 10, 2009, the Company was served with a suit from M. Grant Bettingen, the Bettingen 1999 Trust and Christi Bettingen (the "Bettingen Cross-Complaint") stemming from the same transaction. The Bettingen Cross-Complaint was dismissed in July of 2010 and has been appealed. While it is not possible to predict with certainty what liability or damages the Company might incur in connection with this lawsuit, based on the advice of counsel and a management review of the existing facts and circumstances related to this lawsuit, the Company has accrued \$487,000 as of March 31, 2011 and December 31, 2010 for this matter, which is included in accrued investment obligation on its Consolidated Balance Sheet.

Table of Contents

General Litigation:

In addition to the above referenced lawsuit, the Company has several pending claims and arbitrations incurred in the normal course of business. In the Company's opinion, such claims can be resolved without any material adverse effect on its consolidated financial position, results of operations, or cash flows.

The Company maintains certain liability insurance; however, certain costs of defending lawsuits, such as those below the insurance deductible amount, are not covered by or only partially covered by its insurance policies, or its insurance carriers could refuse to cover certain of these claims in whole or in part. The Company accrues costs to defend itself from litigation as it is incurred or as it becomes determinable.

The outcome of litigation may not be assured, and despite management's views of the merits of any litigation, or the reasonableness of the Company's estimates and reserves, the Company's financial statements could nonetheless be materially affected by an adverse judgment. The Company believes it has adequately reserved for the contingencies arising from currently pending legal matters where an outcome was deemed to be probable, and the loss amount could be reasonably estimated. While it is not possible to predict with certainty what liability or damages the Company might incur in connection with any legal matter, based on the advice of counsel and a management review of the existing facts and circumstances related to pending legal matters, the Company has accrued \$459,350 and \$681,359 as of March 31, 2011 and December 31, 2010, respectively, for these matters, which is included on its Consolidated Balance Sheet. Management feels it is unlikely that any expense (exclusive of legal fees) associated with current litigation or arbitrations would exceed the amount accrued.

Office lease agreements

As of December 31, 2009, the Company leased office space under a long-term lease agreement expiring in January of 2010. The amount due for January 2010 was \$8,690. During January 2010, the Company moved its offices to another location as noted below.

On October 21, 2009, the Company entered into a long-term lease agreement commencing January 1, 2010 and ending on June 30, 2015. The annual lease payments due pursuant to this agreement are as follows:

Year Ending December 31,	Amount
2011	\$ 188,820
2012	193,016
2013	199,310
2014	205,604
2015	104,900
Total	\$ 891,650

Note 13 - Fair Value Measurements

The Company adopted ASC Topic 820-10 at the beginning of 2009 to measure the fair value of certain of its financial assets required to be measured on a recurring basis. The adoption of ASC Topic 820-10 did not impact the Company's financial condition or results of operations. ASC Topic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). ASC Topic 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability. The three levels of the fair value hierarchy under ASC Topic 820-10 are described below:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.

Level 2 – Valuations based on quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3 – Valuations based on inputs that are supportable by little or no market activity and that are significant to the fair value of the asset or liability.

The Company has no level 3 assets or liabilities.

Table of Contents

The following table presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis as of December 31, 2010:

	Level 1	Level 2	Level 3	Fair Value
Cash	\$ 1,360,504	\$ -	-	\$ 1,360,504
A c c o u n t s receivable	-	839,601	-	839,601
M a r k e t a b l e securities	193,633	-	-	193,633
N o t e s a n d i n t e r e s t receivable	-	150,264	-	150,264
A c c o u n t s payable	-	479,577	-	479,577
A c c r u e d expenses	-	1,679,489	-	1,679,489
Notes payable	-	175,402	-	175,402

The following table presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis as of March 31, 2011:

	Level 1	Level 2	Level 3	Fair Value
Cash	\$ 1,676,893	\$ -	-	\$ 1,676,893
A c c o u n t s receivable	-	794,410	-	794,410
M a r k e t a b l e securities	141,857	-	-	141,857
N o t e s a n d i n t e r e s t receivable	-	221,992	-	221,992
A c c o u n t s payable	-	517,754	-	517,754
A c c r u e d expenses	-	1,042,068	-	1,042,068
Notes payable	-	367,699	-	367,699

Note 14 – Restatement of Financial Statements

The Company concluded that the consolidated financial statements for the year ended December 31, 2010 and the quarters ended March 31, 2011, June 30, 2011, and September 30, 2011 should be restated because it failed to recognize some of the unrealized losses on marketable securities to be other than temporary as of December 31, 2010. Originally, the marketable securities in question were recorded on the balance sheet at market value and the unrealized losses associated with the securities were recorded as other comprehensive losses in the stockholders' equity section as temporary changes in market value. The changes in the unrealized losses during the period were also recorded in other comprehensive losses on the statement of operations. This restatement deems some of the losses as other than temporary and moves \$1,151,915 from unrealized to realized in the statement of operations in the year ended December 31, 2010. The marketable securities are still recorded at fair market value on the balance sheet.

In the three months ended March 31, 2011, part of an investment that had an unrealized loss recognized in 2010 was sold. Originally, the sale was recorded in the three months ended March 31, 2011 with a cost of \$200,000 for a

realized loss of \$171,884. Because the December 31, 2010 amount were restated and part of that loss was realized in 2010 when the investment's decline was deemed to be other than temporary, the security now has a basis of only \$24,225 and the transaction results in a realized gain of \$3,891 on these financial statements. See Note 5 for further details.

The following tables set forth the effects of the restatement on certain line items within our consolidated balance sheet as of March 31, 2011 and our consolidated statement of operations for the three months ended March 31, 2011:

Consolidated Balance Sheet	As of March 31, 2011	
	As Restated	As Previously Filed
Stockholder's Equity section of the balance sheet:		
Other comprehensive loss	\$ 42,420	\$ (933,720)
Retained Earnings	(15,775,852)	(14,799,712)
TOTAL SHAREHOLDERS' EQUITY	2,651,122	2,651,122
Consolidated Statement of Operations	For the Three Months Ended March 31, 2011	
	As Restated	As Previously Filed
Net operating income (loss)	\$ 341,303	\$ 341,303
Realized loss on investments	3,891	(171,884)
Total other income (expense)	7,719	(168,056)
Net income (loss)	349,022	173,247
Total other comprehensive income(loss)	(28,418)	147,357
Net Comprehensive income (loss)	320,604	320,604
Net income (loss) per share – basic and diluted	\$ 0.02	0.01

Note 15 - Subsequent Events

The Company has evaluated all subsequent events through the date these financial statements were issued, and determined that there are no subsequent events to record or disclose.

Table of Contents

FORWARD-LOOKING STATEMENTS

This document contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are “forward-looking statements” for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objections of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements or belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements may include the words “may,” “could,” “estimate,” “intend,” “continue,” “believe,” “expect” or “anticipate” or other similar words. These forward-looking statements present our estimates and assumptions only as of the date of this report. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the dates on which they are made. We do not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the dates they are made. You should, however, consult further disclosures we make in this Quarterly Report on Form 10-Q, Annual Report on Form 10-K and Current Reports on Form 8-K.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The factors impacting these risks and uncertainties include, but are not limited to:

- deterioration in general or regional (especially Southern California) economic, market and political conditions;
 - our ability to successfully compete in the financial services industry;
 - actions and initiatives taken by both current and potential competitors;
 - inability to raise additional financing for working capital;
- inability to locate potential mergers and acquisitions within the financial services industry and integrate acquired companies into our organization;
- deterioration in the financial services markets, lending markets and the real estate markets in general as a result of the delinquencies in the “subprime” mortgage markets;
 - the level of volatility of interest rates as well as the shape of the yield curve;
- the fact that our accounting policies and methods are fundamental to how we report our financial condition and results of operations, and they may require management to make estimates about matters that are inherently uncertain;
- adverse state or federal legislation or regulation that increases the costs of compliance, or adverse findings by a regulator with respect to existing operations;
- changes in U.S. GAAP or in the legal, regulatory and legislative environments in the markets in which we operate;
 - inability to efficiently manage our operations;
 - inability to achieve future operating results;
 - the unavailability of funds for capital expenditures;
 - our ability to recruit and hire key employees;
- the inability of management to effectively implement our strategies and business plans; and
 - the other risks and uncertainties detailed in this report.

For a detailed description of these and other factors that could cause actual results to differ materially from those expressed in any forward-looking statement, please see “Risk Factors” in this document and in our Annual Report on Form 10-K for the year ended December 31, 2010.

In this form 10-Q references to “Rubicon”, “the Company”, “we,” “us,” and “our” refer to Rubicon Financial Incorporated and wholly owned operating subsidiaries, Newport Coast Securities, Inc. and Dial-A-Cup, Inc.

Table of Contents

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

Overview of Current Operations

We are a financial service holding company operating primarily through our wholly-owned subsidiary Newport Coast Securities, Inc. ("NCS"), a private brokerage firm registered with the Financial Industry Regulatory Authority ("FINRA") providing retail brokerage services and investment banking. During 2010 we also had two other operating subsidiaries; (i) Rubicon Financial Insurance Services, Inc. ("RFIS"), a full service insurance agency; and (ii) Rubicon Real Estate and Mortgages, Inc. ("RREM"), which provided professional assistance in the fields of residential and commercial real estate and mortgage loans in California. RFIS was disposed of through the sale to its former president in September of 2010 and RREM was dissolved in June of 2010.

We also have a non-operating subsidiary, Dial-A-Cup, Inc. ("DAC"), which has developed a hot-water dispensing system that will brew one fresh cup of coffee, tea, hot chocolate, soup, etc. on demand. On July 31, 2007, we entered into a Separation and Distribution Agreement with DAC, whereby we agreed to spin-out at least 50% of the shares of DAC common stock owned by us to our shareholders on a one for ten basis. The Separation and Distribution Agreement also provides that DAC will take all of the businesses, assets and liabilities relating to the DAC business previously held by us. DAC intends to file a registration statement on Form S-1 to register the shares of DAC common stock to be distributed. As of the date of this report, the Form S-1 has not been filed.

On February 22, 2011, DAC issued a press release announcing that it had entered into a letter of intent to merge with Horizon Exterior Technology, Inc. ("Horizon"). Horizon is the exclusive distributor of high quality roofing, fascia, and interior wall tiles imported from China. These ICC tested and approved light-weight ultra-durable porcelain-ceramic tiles are intended to be sold through a network of regional distributors to national builders, building supply houses, select retailers, and registered, authorized contractors.

The letter of intent requires completion of formal substantive agreements with substantial conditions to be performed, including the following: adequate due diligence by DAC, approval by each party's respective shareholders, approval of each party's respective board of directors, pre-merger financing by Horizon, and other conditions which would need to be satisfied in a transaction of this nature.

Overview of Financial Services

Economic Conditions

Our revenues are derived primarily from managed investment portfolios with the majority of our assets under management being located within the United States. Our revenues depend largely on the total value and composition of assets under our management. Accordingly, fluctuations in financial markets and in the composition of assets affect our revenues and results of operations. The significant downturn in the financial and real estate markets during 2008 through 2010 has had a material effect on investor returns and real property values. Though we have not experienced significant declines in our brokerage services, the impact to our real estate services was considerable. In response, we have implemented measures to reduce overall operating costs through the reduction of staff and administrative expenses. Although we have not made any fundamental changes to our business model like many other financial service companies, as part of our long term growth strategy, we continually evaluate our existing portfolio of businesses as well as new business opportunities to ensure we are investing in those businesses with the largest, most profitable, growth potential. In response to the current market conditions, we sold RFIS in September of 2010 and dissolved RREM in June of 2010.

We have established our headquarters in Orange County, California to capitalize on the perceived large and affluent demographic base for our products in the financial services industry. The types of financial services we offer are:

insurance, both personal and commercial; mortgage loan and real estate services, both residential and commercial; and retail brokerage services, securities market making, as well as investment banking services for small to mid-sized companies. Each subsidiary providing these services is an individually licensed corporation doing business under the parent holding company, which is intended to allow us to become a unique, single-source, financial services provider.

Table of Contents

Results of Operations

The following tables summarize selected items from the statement of operations for the three months ended March 31, 2011 and 2010.

Revenue:

	Three Months Ended March 31,		Increase/(Decrease)		
	2011	2010	\$	%	
Consolidated					
Revenue	\$ 4,368,904	\$ 3,509,790	\$ 859,114	24	%
Operating expenses	4,027,601	3,642,881	384,720	11	%
Net operating income (loss)	\$ 341,303	\$ (133,091)	\$ 474,394	356	%

Our continued focus on providing alternative investment products through NCS and the recruitment of additional registered representatives allowed us to increase revenues by 24% during the first quarter of 2011 over the first quarter of 2010. We believe our strategy of focusing on our recruitment efforts and increasing revenue per registered representative will continue to produce increases in revenues.

During the three months ended March 31, 2011 our operating expenses increased by only 11% over the same period of 2010. We increasing administrative and compliance staffing to support anticipated growth in registered representatives; however, we are continuing our focus on reducing operating expenses as efficiently as possible while continuing to plan for anticipated growth.

Even with the increase in operating expenses, we were able to generate a net operating income of \$341,303 for the first quarter of 2011, opposed to a net operating loss of \$133,091 for the same quarter of 2010.

Revenue by Segment

	Three Months Ended March 31,		Increase/(Decrease)		
	2011	2010	\$	%	
Revenue					
Brokerage services	\$ 4,368,904	\$ 3,424,606	\$ 944,298	28	%
Insurance services	-	85,184	-	-	
Total revenue	\$ 4,368,904	\$ 3,509,790	\$ 859,114	24	%

Brokerage Services: NCS's revenue for the first quarter of 2011 increased 28% over the same quarter of 2010, primarily as a result of NCS' continued focus on alternative investment products and recruitment of additional registered representatives.

Table of Contents

Insurance Services: We disposed of RFIS on September 30, 2010, primarily as a result of its decreased revenues and decline in operations.

Selling and Administrative Expenses:

	Three Months Ended March 31,		Increase/(Decrease)		
	2011	2010	\$	%	
Direct costs	\$ 3,440,804	\$ 2,862,391	\$ 578,413	20	%
Consulting	72,715	57,615	15,100	26	%
Professional fees	(88,067)	228,386	(316,453)	-	
Executive compensation	141,716	91,500	50,216	55	%
General expenses	452,242	389,659	62,583	16	%
Depreciation	8,191	13,330	(5,139)	(39	%)
Operating expenses	\$ 4,027,601	\$ 3,642,881	\$ 384,720	11	%

Operating expenses increased 11% overall compared to the same period of the previous year. Increases in consulting fees (26%) and executive compensation (55%) related to increased compliance matters and the costs associated therewith.

Our direct costs, which increased 20%, have a direct relationship to our revenue and will increase or decrease with changes in revenue.

Expenses by Segment

NCS:

	Three Months Ended March 31,		Increase/(Decrease)		
	2011	2010	\$	%	
Brokerage services					
Direct costs	\$ 3,440,804	\$ 2,842,469	\$ 598,335	21	%
Consulting	72,715	52,515	20,200	38	%
Professional fees	(169,523)	201,136	(370,659)	-	
Executive compensation	75,216	51,000	24,216	47	%
General expenses	483,081	303,827	179,254	59	%
Depreciation	4,401	4,560	(159)	(3	%)
Operating expenses	\$ 3,906,694	\$ 3,455,507	\$ 451,187	13	%

Table of Contents

During the first quarter of 2011 NCS's direct costs increased 21% over the same quarter of 2010. Direct costs are proportional to increases in revenue and should remain fairly constant.

In the first quarter of 2011 consulting fees increased by \$20,200 (38%) as a result of increased regulatory compliance costs. We also experienced a 47% increase in executive compensation as a result of increased salaries payable to our executives.

In addition, during the quarter ended March 31, 2011 NCS reduced the amount of contingent liability accruals, which resulted in a decrease in professional fees of \$370,659 in the current quarter compared to the same period of 2010. We anticipate these fees to be reduced once our arbitration and litigation claims are settled or terminated.

Our general expenses increased by \$179,254 for the first quarter of 2011 over the same quarter of 2010, primarily as the result of increased staffing in preparation for the recruitment of additional registered representatives.

RFIS:

	Three Months Ended March 31,	
	2011	2010
Insurance services		
Direct costs	\$ -	\$ 19,922
Consulting	-	5,100
Professional fees	-	-
Executive compensation	-	33,000
General expenses	-	11,740
Depreciation	-	8,605
Operating expenses	\$ -	\$ 78,367

Through RFIS, we offered commercial, life, health and personal lines insurance products provided by top rated insurance companies. RFIS was sold to the former president, Todd Torneo, on September 30, 2010. We now offer insurance products through NCS.

Other income and (expense)

	Three Months Ended March 31,		Increase/(Decrease)	
	2011	2010	\$	%
Consolidated				
Interest income	\$ 8,698	\$ 3,384	\$ 5,314	157%
Interest (expense)	(4,795)	(5,535)	(740)	(13%)
Gain on sale of investments	3,891	-	3,891	-
Other income (expense)	(75)	7,811	(7,886)	-

Table of Contents

Other income and expense consists of interest earned and expenses. We experienced a 157% decline in interest income as a direct result of increased cash resources held in interest bearing money market accounts. Interest was incurred during ordinary course of business through the use of corporate credit cards. We expect this amount to remain unchanged throughout the remainder of the fiscal year.

During the three months ended March 31, 2011, investments with a cost of \$24,225 were sold for \$28,116 producing a realized gain of \$3,891.

Satisfaction of our cash obligations for the next 12 months.

Historically, our plan of operation has been limited by a lack of adequate working capital. As of March 31, 2011 we had available cash of \$1,365,092. We believe these funds will help support existing operational costs, but will only be sufficient to satisfy our working capital requirements through fiscal 2011. Consequently, in addition to cash generated from operations, we may need to raise additional funds through either equity, including convertible securities such as preferred stock or debentures, or debt financing.

Summary of any product research and development that we will perform for the term of our plan of operation.

We do not anticipate performing any additional significant product research and development under our plan of operation with Dial-A-Cup, NCS or in the financial services industry.

Expected purchase or sale of plant and significant equipment.

We do not anticipate the purchase or sale of any plant or significant equipment; as such items are not required by us at this time.

Significant changes in the number of employees.

We have experienced significant changes in our staffing and executive management team as a result of our business acquisitions. Historically we have relied on outside consultants to fulfill the needs of the Company while also relying heavily on our CEO, Joseph Mangiapane, Jr. whom we have a full time employment agreement with. As we have achieved milestones in our growth projections, it has become financially prudent to increase our internal staff to satisfy the operational needs of our business. Likewise, as we have been impacted by the overall economic recession we have also reduced staffing as appropriate.

At our subsidiary levels, we have increased our number of employees to a level which satisfies our current requirements in an economically sensible manner. As the economic conditions improve, we anticipate an increase in our staffing levels as a measure to ensure continued growth. Currently, we employee two executives and twelve administrative staff within NCS.

Liquidity and Capital Resources

A critical component of our operating plan impacting our continued existence is the ability to obtain additional capital through additional equity and/or debt financing. We do not anticipate generating sufficient positive internal operating cash flow until such time as we can deliver our product to market, complete additional financial service company acquisitions and generate substantial revenues, which may take the next few years to fully realize. In the event we cannot obtain the necessary capital to pursue our strategic plan, we may have to cease or significantly curtail our operations. This would materially impact our ability to continue operations.

Table of Contents

The following table summarizes our current assets, liabilities and working capital at March 31, 2011 compared to December 31, 2010.

	March 31, 2011	December 31, 2010	\$	Increase / (Decrease)	
				%	
Current Assets	\$ 2,936,562	\$ 2,702,196	\$ 234,366	9	%
Current Liabilities	2,908,970	2,970,341	(61,371)	(2	%)
Working Capital	\$ 27,592	\$ (268,145)	\$ 295,737	110	%

As we expand our activities, we may continue to experience net negative cash flows from operations, pending receipt of additional revenues. However, during the first quarter of 2011 we generated a net operating income of \$341,303.

We believe the \$1,365,092 in un-restricted cash on hand at March 31, 2011 will only be sufficient to sustain operations through fiscal 2011. As a result, we anticipate the need to seek additional funding for operations through equity or debt offerings and may need to further do so in the future through additional financing, acquisitions, joint ventures or other means available to us. Along these lines, in February of 2011, we borrowed \$300,000 pursuant to a line of credit through our bank. There can be no assurance that we will be able to complete a transaction or complete a transaction on terms favorable to our stockholders or us.

As we continue to expand in the financial services industry, we anticipate incurring operating losses over the next twelve months. Our lack of operating history makes predictions of future operating results difficult to ascertain. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results or operations, liquidity, capital expenditures or capital resources that is material to investors.

Going Concern

The financial statements included in this filing have been prepared in conformity with generally accepted accounting principles that contemplate the continuance of Rubicon as a going concern. Rubicon's cash position is currently inadequate to pay all of the costs associated with its operations. Management intends to use borrowings and security sales to mitigate the effects of its cash position, however no assurance can be given that debt or equity financing, if and when required will be available. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should Rubicon be unable to continue existence.

Critical Accounting Policies and Estimates

Revenue Recognition: We recognizes revenue in accordance with ASC subtopic 605-10 (formerly SEC Staff Accounting Bulletin No. 104 and 13A, "Revenue Recognition") net of expected cancellations and allowances. As of December 31, 2010 and 2009, we evaluated evidence of cancellation in order to make a reliable estimate and determined there were no material cancellations during the years and therefore no allowances have been made.

Table of Contents

Investment banking revenues and advisory fees from mergers, acquisitions and restructuring transactions are recorded when services for the transactions are determined to be completed, generally as set forth under the terms of the engagement. Transaction related expenses, primarily consisting of legal, travel and other costs directly associated with the transaction, are deferred and recognized in the same period as the related investment banking transaction revenue. Underwriting revenues are presented net of related expenses. The Company recognizes commissions from its broker services based on a settlement date basis. Fees billed and collected before services are performed are included in deferred revenue. Normal expenses are recorded when the obligation is incurred.

Recent Accounting Developments

On July 1, 2009, FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles", also known as FASB Accounting Standards Codification ("ASC") 105, "Generally Accepted Accounting Principles" ("ASC 105") (the Codification). ASC 105 establishes the exclusive authoritative reference for U.S. GAAP for use in financial statements, except for SEC rules and interpretive releases, which are also authoritative GAAP for SEC registrants. The Codification will supersede all existing non-SEC accounting and reporting standards. Management has determined that adoption of this pronouncement has not material impact on the financial statements.

The FASB issued ASC subtopic 855-10 (formerly SFAS 165 "Subsequent Events"), incorporating guidance on subsequent events into authoritative accounting literature and clarifying the time following the balance sheet date which management reviewed for events and transactions that may require disclosure in the financial statements. The Company adopted this standard effective the second quarter of 2009. The standard increased our disclosure by requiring disclosure reviewing subsequent events. ASC 855-10 is included in the "Subsequent Events" accounting guidance.

In April 2009, the FASB issued ASC subtopic 820-10 (formerly Staff Position No. FAS 157-4, Determining Fair Value When Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly"). ASC 820-10 provides guidance on how to determine the fair value of assets and liabilities when the volume and level of activity for the asset/liability has significantly decreased. FSP 157-4 also provides guidance on identifying circumstances that indicate a transaction is not orderly. In addition, FSP 157-4 requires disclosure in interim and annual periods of the inputs and valuation techniques used to measure fair value and a discussion of changes in valuation techniques. The Company evaluated the effect of the adoption of FSP 157-4 and determined that it did not have a material impact on its results of operations and financial position.

In July 2006, the FASB issued ASC subtopic 740-10 (formerly Interpretation No. ("FIN") 48, "Accounting for Uncertainty in Income Taxes"). ASC 740-10 sets forth a recognition threshold and valuation method to recognize and measure an income tax position taken, or expected to be taken, in a tax return. The evaluation is based on a two-step approach. The first step requires an entity to evaluate whether the tax position would "more likely than not," based upon its technical merits, be sustained upon examination by the appropriate taxing authority. The second step requires the tax position to be measured at the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement. In addition, previously recognized benefits from tax positions that no longer meet the new criteria would no longer be recognized. The application of this Interpretation will be considered a change in accounting principle with the cumulative effect of the change recorded to the opening balance of retained earnings in the period of adoption. Adoption of this new standard did not have a material impact on our financial position, results of operations or cash flows.

In April 2008, the FASB issued ASC 815-40 (formerly Emerging Issues Task Force ("EITF") 07-05, "Determining whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock"). ASC 815-40 applies to any freestanding financial instruments or embedded features that have the characteristics of a derivative, and to any

freestanding financial instruments that are potentially settled in an entity's own common stock. ASC 815-40 is effective for financial statements issued for fiscal years beginning after December 15, 2008. The adoption of this pronouncement did not have a material impact on its financial position, results of operations or cash flows.

In June 2009, the FASB issued ASC 105 Accounting Standards Codification TM and the Hierarchy of Generally Accepted Accounting Principles. The FASB Accounting Standards Codification TM (the "Codification") has become the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in accordance with Generally Accepted Accounting Principles ("GAAP"). All existing accounting standard documents are superseded by the Codification and any accounting literature not included in the Codification will not be authoritative. Rules and interpretive releases of the SEC issued under the authority of federal securities laws, however, will continue to be the source of authoritative generally accepted accounting principles for SEC registrants. Effective September 30, 2009, all references made to GAAP in our consolidated financial statements will include references to the new Codification. The Codification does not change or alter existing GAAP and, therefore, did not have an impact on our financial position, results of operations or cash flows.

Table of Contents

In June 2009, the FASB issued changes to the consolidation guidance applicable to a variable interest entity (VIE). FASB ASC Topic 810, "Consolidation," amends the guidance governing the determination of whether an enterprise is the primary beneficiary of a VIE, and is, therefore, required to consolidate an entity, by requiring a qualitative analysis rather than a quantitative analysis. The qualitative analysis will include, among other things, consideration of who has the power to direct the activities of the entity that most significantly impact the entity's economic performance and who has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. This standard also requires continuous reassessments of whether an enterprise is the primary beneficiary of a VIE. FASB ASC 810 also requires enhanced disclosures about an enterprise's involvement with a VIE. Topic 810 is effective as of the beginning of interim and annual reporting periods that begin after November 15, 2009. The adoption of this pronouncement did not have a material impact on its financial position, results of operations or cash flows.

In June 2009, the FASB issued Financial Accounting Standards Codification No. 860 - Transfers and Servicing. FASB ASC No. 860 improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. FASB ASC No. 860 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. The adoption of this pronouncement did not have a material impact on its financial position, results of operations or cash flows.

In November 2008, the Securities and Exchange Commission ("SEC") issued for comment a proposed roadmap regarding potential use of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Under the proposed roadmap, the Company would be required to prepare financial statements in accordance with IFRS in fiscal year 2014, including comparative information also prepared under IFRS for fiscal 2013 and 2012. The Company is currently assessing the potential impact of IFRS on its financial statements and will continue to follow the proposed roadmap for future developments.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable.

Item 4T. Controls and Procedures.

Our Chief Executive Officer and Principal Financial Officer, Joseph Mangiapane, Jr., evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Report. Based on the evaluation, Mr. Mangiapane concluded that our disclosure controls and procedures are not effective in timely altering him to material information relating to us (including our consolidated subsidiaries) required to be included in our periodic SEC filings. We were unable to accurately account for other-than-temporary impairments related to our marketable securities, which caused us to restate our financial statements for the quarter ended March 31, 2011. Management evaluated the impact of our inability to accurately account for other-than-temporary impairments on our assessment of our disclosure controls and procedures and has concluded that the control deficiency that resulted in the inability to accurately account for other-than-temporary impairments represented a material weakness.

There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II--OTHER INFORMATION

Item 1. Legal Proceedings.

In addition to the matters described below, in the normal course of business, we may, from time to time, be named as defendants in various judicial, regulatory, and arbitration proceedings in the future. The nature of such proceedings may involve large claims subjecting us to exposure. In addition, claims may be made against our broker-dealer subsidiary relating to investment banking underwritings, which may be brought as part of a class action, or may be routine retail customer complaints regarding losses in individual accounts, which are ordinarily subject to FINRA arbitration proceedings. Our broker-dealer subsidiary may also become subject to investigations or proceedings by governmental agencies and self-regulatory organizations, which can result in fines or other disciplinary action being imposed on the broker-dealer and/or individuals. Additionally, legal proceedings may be brought against us from time to time in the future. In view of the inherent difficulty of predicting the outcome of legal proceedings, particularly where the plaintiffs seek substantial or indeterminate damages or where novel legal theories or a large number of parties are involved, we cannot state with confidence what the eventual outcome of currently pending matters will be, what the timing of the ultimate resolution of these matters will be or what the eventual result in each pending matter will be.

Rubicon Financial Incorporated v. Grant Bettingen

In July of 2009, we filed our first amended complaint in the Superior Court of the State of California, for the County of Orange – Central Justice Center (Case Number 30-2009-00124138-CU-BC-CJC), against Grant Bettingen and Grant Bettingen, as Trustee of the 1999 Bettingen Trust U/D/T October 8, 1999, seeking damages for:

1. Breach of Contract;
2. Fraud;
3. Declaratory Relief;
4. Breach of Covenant of Good Faith and Fair Dealing; and
5. Unjust Enrichment.

These claims arise from the June 2008 merger between us and Grant Bettingen, Inc. (now known as Newport Coast Securities, Inc.). On or about August 10, 2009, we were served with a suit from M. Grant Bettingen, the Bettingen 1999 Trust and Christi Bettingen (collectively the “Bettingens”)(Case Number 30-2009-00290794) stemming from the same transaction and alleging 31 causes of action. These two cases were consolidated. On July 29, 2010, our demurrer to the second amended cross-complaint filed by the Bettingens was sustained without leave to amend. The Court’s ruling was as follows:

RUBICON FINANCIAL, INC. V. BETTINGEN, ET AL.

Demurrer by Rubicon Financial, Inc., et al. to Second Amended Cross-complaint of Bettigen et al.:

The demurrer is sustained without leave to amend.

The cross-complainants have had an adequate opportunity to correct the problems of pleading a viable cross-complaint, however, the subject pleading still fails to state facts sufficient to constitute a cause of action. There are no significant changes in the present version of the cross-complaint as compared to its prior iterations.

Within 5 court days of the hearing, the moving parties are hereby ordered to prepare, file and serve the proposed order sustaining the demurrer without leave to amend, and shall give notice of ruling.

Table of Contents

The Court's ruling effectively dismissed the Bettingens second amended cross-complaint and the causes of action resulting therefrom. The Bettingens have appealed the Court's ruling on the demurrer and we are now going through the appeals process.

In addition, on October 14, 2010, our motion for attorney's fees and costs against the Bettingens was granted. The Court's ruling was as follows:

RUBICON FINANCIAL INCORPORATED (RUBICON) V. BETTINGEN, ET AL.

Motion by cross-defendant Rubicon for attorneys' fees and costs:

The motion is granted.

The court finds the cross-defendants are the prevailing parties on the breach of contract causes of action.

The court finds that no apportionment of fees and costs need be allocated between the contract causes of action and the other causes of action.

The court further finds reasonable attorneys' fees in the sum of \$337,634.00, and costs in the sum of \$18,235.50, and orders such amounts be awarded to the cross-defendants jointly, and against the cross-complainants M. Grant Bettingen, individually and as Trustee of the Bettingen 1999 Trust, and Chrisi Bettingen, all jointly and severally.

The moving parties are hereby ordered to prepare, file and serve the proposed order and judgment in accordance with this ruling, and shall give notice of ruling.

The Bettingens have appealed the Court's ruling on the motion for attorney's fees and we are now going through the appeals process.

We are continuing to aggressively pursue the July 2009 lawsuit against Grant Bettingen and Grant Bettingen, as Trustee of the 1999 Bettingen Trust U/D/T October 8, 1999. This case is in the complex litigation court and is still in the discovery stage.

Rubicon Financial Incorporated v. Marc Riviello

In August of 2009, we filed a complaint in the Superior Court of the State of California, for the County of Orange – Central Justice Center (Case Number 30-2009-00294992-CU-BC-CJC), against Marc Riviello seeking collection of the \$100,000 due and payable pursuant to a promissory note due June 1, 2009. On June 28, 2010, we received a judgment against Marc Riviello as follows:

1. For damages in the amount of \$100,000;
2. For interest through the date of trial in the amount of \$24,899.91;
3. For attorney's fees in the amount of \$15,000;
4. For costs in the amount of \$1,137.26

For a judgment in the total amount of \$141,037.17

We are currently seeking to collect on this judgment.

Table of Contents

Item 1A. Risk Factors.

Our significant business risks are described in Item 1A to Form 10-K for the year ended December 31, 2010 to which reference is made herein.

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

On February 17, 2011, we authorized the award of 250,000 shares of our restricted common stock for a bonus valued at \$110,000 to one of the registered representatives of our wholly owned subsidiary, NCS. 125,000 of the shares vested immediately and the remaining 125,000 shares shall be earned equally over a period of 36-months. The shares were awarded pursuant to the Rubicon Financial Incorporated 2007 Acquisition Stock Plan and registered on the Form S-8 filed on July 30, 2009. These shares were not issued as of the date of this report.

In March of 2011, we issued 850,000 shares that were previously authorized for issuance in May of 2010. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2) thereof.

On May 21, 2010, we authorized the issuance 150,000 shares of our common stock to the former president of NCS for services valued at \$30,000. These shares were never issued and effectively cancelled concurrent with the departure of the president of NCS in January of 2011.

Issuer Purchases of Equity Securities

We did not repurchase any of our equity securities during the quarter ended March 31, 2011.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. (Removed and Reserved).

None.

Item 5. Other Information.

None.

Table of Contents

Item 6. Exhibits.

Exhibit	Exhibit Description	Filed herewith	Incorporated by reference			
			Form	Period ending	Exhibit	Filing date
2.1	Merger Agreement among Rubicon Financial Incorporated, RFI Sub, Inc. and Grant Bettingen, Inc.		8-K		2.7	07/05/07
2.1(b)	Amendment No. 1 to the Merger Agreement among Rubicon Financial Incorporated, RFI Sub, Inc. and Grant Bettingen, Inc.		8-K		2.7(b)	09/14/07
2.1I	Amendment No.2 to the Merger Agreement among Rubicon Financial Incorporated, RFI Sub, Inc. and Grant Bettingen, Inc., dated January 23, 2007		8-K		2.7I	01/24/08
2.1(d)	Amendment No. 3 to the Merger Agreement among Rubicon Financial Incorporated, RFI Sub, Inc. and Grant Bettingen, Inc., dated March 18, 2008				2.7(d)	03/21/08
2.2	Separation and Distribution Agreement by and between Rubicon Financial Incorporated and Dial-A-Cup, Inc.		8-K		2.8	08/06/07
3.1(i)(a)	Articles of Incorporation		10-KSB	12/31/05	3.1(i)(a)	04/05/06
3.1(i)(b)	Certificate of Correction of Articles of Incorporation		10-KSB	12/31/05	3.1(i)(b)	04/05/06
3.1(i)I	Amendment to Articles of Incorporation		10-KSB	12/31/05	3.1(i)I	04/05/06
3.1(i)(d)	Amendment to Certificate of Incorporation changing name from ISSG, Inc. to Rubicon Financial Incorporated		8-K		3.1(i)(d)	09/08/06
3.1(i)(g)	Amendment to Certificate of Incorporation authorizing "blank check" Preferred Stock		8-K		3.1(i)(g)	08/01/07
3.1(ii)	Bylaws		10-K	12/31/09	3.1(ii)	04/15/09
4.1	Amended and Restated Certificate of Designation of 8% Series A Convertible Preferred Stock		10-Q	09/30/08	4.1	11/19/08
10.1	Employment Agreement with Joseph Mangiapane, Jr.		8-K		10.3	01/17/07
10.2	Share Purchase Agreement between Rubicon Financial Incorporated and Grant Bettingen, Inc.		8-K		10.9	09/14/07
10.3	Amendment No. 1 to NCS Stock Purchase Agreement dated March 18, 2008		8-K		10.12	03/21/08
10.4	Stock Purchase and Settlement Agreement with AIS Financial Inc. and Marc Riviello dated June 2, 2008		8-K		10.18	06/06/08
10.5	Indemnity Agreement for Kathleen McPherson		8-K		10.1	07/21/09
10.6	Indemnity Agreement for Todd Torneo		8-K		10.2	07/21/09
10.7	\$100,000 Promissory Note		10-K	12/31/09	10.7	04/15/10
31.1	<u>Certification of Joseph Mangiapane, Jr., Chief Executive Officer and Principal Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act</u>	X				
32.1	<u>Certification of Joseph Mangiapane, Jr., Chief Executive Officer and Principal Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act</u>	X				

Table of Contents

SIGNATURES

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

RUBICON FINANCIAL INCORPORATED
(Registrant)

By: /s/ Joseph Mangiapane, Jr.
Joseph Mangiapane, Jr., Chief Executive Officer
(On behalf of the Registrant and as Principal Financial Officer)

Date: March 14, 2012

Table of Contents