

RUBICON FINANCIAL INC
Form 10-Q
November 19, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2013

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)

Nevada
(State or other jurisdiction of incorporation or
organization)

13-3349556
(I.R.S. Employer Identification No.)

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

92612
(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 ☐

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 ☐

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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	<input type="radio"/>	Accelerated filer	<input type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input checked="" type="radio"/>
(Do not check if a 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 November 13, 2013, was 16,755,691, which does not include 750,000 shares authorized but unissued.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Rubicon Financial Incorporated
Condensed Consolidated Balance Sheets

	September 30, 2013	December 31, 2012 Audited
Assets		
Current assets:		
Cash	\$ 1,129,326	\$ 1,785,736
Cash – restricted	121,090	161,802
Marketable securities, at fair market value	21,730	60,493
Accounts receivable	710,262	402,708
Prepaid expenses	19,790	28,705
Notes receivable	141,277	66,235
Contract advances – current portion	153,556	113,559
Total current assets	2,297,031	2,619,238
Fixed assets, net of accumulated depreciation	67,719	26,017
Other assets:		
Contract advances	189,375	104,164
Capitalized financing costs	16,917	21,000
Deposits	30,438	11,916
Intangible assets – goodwill	2,403,671	2,403,671
Total other assets	2,640,401	2,540,751
Total assets	\$ 5,005,151	\$ 5,186,006
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 326,837	\$ 840,681
Accrued expenses	918,781	557,139
Investment obligation	487,000	487,000
Line of credit	200,000	200,000
Note payable, current portion	306,898	254,335
Accrued legal settlement	-	445,513
Contingent liabilities	220,000	472,500
Total current liabilities	2,459,516	3,257,168
Long term liabilities:		
Note payable	412,436	509,409
Redeemable Preferred Stock, Series B, \$0.001 par value, 1,000,000 shares authorized, 426,000 issued and outstanding as of September 30, 2013	426,000	-
Stockholders' equity		
Preferred series "A", \$0.001 par value, 1,000,000 shares authorized, 62,500 shares issued and outstanding as of September 30, 2013 and December 31, 2012, respectively	63	63

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Common stock, \$0.001 par value, 100,000,000 shares authorized, 16,755,691 shares and 15,089,023 shares issued and outstanding as of September 30, 2013 and December 31, 2012, respectively	16,755	15,089
Common stock owed but not issued, 250,000 shares as of September 30, 2013 and December 31, 2012, respectively	250	250
Additional paid in capital	18,682,324	18,433,990
Other comprehensive losses	7,551	29,599
Accumulated (deficit)	(16,999,744)	(17,059,562)
Total stockholders' equity	1,707,199	1,419,429
Total liabilities and stockholders' equity	\$ 5,005,151	\$ 5,186,006

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

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Rubicon Financial Incorporated
Condensed Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenue	\$ 4,908,601	\$ 3,721,188	\$ 13,415,716	\$ 11,669,298
Expenses:				
Direct costs	3,838,865	3,063,342	10,677,449	9,255,124
Consulting	15,482	15,789	43,133	55,158
Professional fees	299,006	320,071	563,285	650,942
Executive compensation	161,550	159,780	483,433	519,810
General and administrative expenses	598,333	231,601	1,783,459	1,424,789
Depreciation and amortization	4,412	4,343	12,656	13,356
Total expenses	4,917,648	3,794,926	13,563,415	11,919,179
Net operating income (loss)	(9,047)	(73,738)	(147,699)	(249,881)
Other income (expense):				
Interest expense	(28,976)	(11,123)	(91,375)	(18,532)
Interest income	20,581	1,819	39,709	7,237
Loss on sale of investments	-	1,219	-	1,266
Legal settlement income	-	-	260,500	1,762,114
Other income	(6,471)	15,177	(1,317)	43,925
Total other income (expense)	(14,866)	7,092	207,517	1,796,010
Net income (loss)	(23,913)	(66,646)	59,818	1,546,129
Other comprehensive income (loss)	-	7,494	(22,048)	(4,503)
Total comprehensive income (loss)	\$ (23,913)	\$ (59,152)	\$ 37,770	\$ 1,541,626
Weighted average number of common shares outstanding - basic	16,755,691	15,074,893	16,023,089	14,992,216
Net income (loss) from continuing operations per share - basic	\$ (0.00)	\$ (0.00)	\$ 0.00	\$ 0.10
Weighted average number of common shares outstanding- fully diluted	N/A	N/A	19,403,089	15,242,216
Net income (loss) from continuing operations per share- fully diluted	\$ N/A	\$ N/A	\$ 0.00	\$ 0.10

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

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

For the Nine Months Ended
September 30,
2013 2012

Cash flows from operating activities		
Net (loss) income	\$ 59,818	\$ 1,546,129
Adjustments to reconcile net (loss) to net cash (used) in operating activities:		
Depreciation expense	12,656	13,356
Shares and options issued for services	-	40,000
Changes in operating assets and liabilities:		
Accounts receivable	(307,554)	77,523
Prepaid expenses	8,915	12,524
Deposits and other assets	(14,439)	(7,320)
Accounts payable and accrued liabilities	(850,215)	(1,918,808)
Deferred revenue	-	(4,531)
Contract advances	(125,208)	63,749
Notes receivable	(75,042)	48,919
Net cash (used) by operating activities	(1,291,069)	(128,459)
Cash flows from investing activities		
Purchase of fixed assets	(54,358)	-
Proceeds from sale of investments	16,715	23,978
Net cash (used) by investing activities	(37,643)	23,978
Cash flows from financing activities		
Proceeds (payments) from note payable, net	(44,410)	(50,198)
Shares issued for cash	676,000	-
Net cash provided by financing activities	631,590	(50,198)
Net increase (decrease) in cash	(697,122)	(154,679)
Cash – beginning	1,947,538	1,732,006
Cash – ending	\$ 1,250,416	\$ 1,577,327
Supplemental disclosure		
Interest paid	\$ 91,375	\$ 18,532
Income taxes paid	\$ -	\$ -
Non-cash financing activities:		
Shares and options issued for services	\$ -	\$ 40,000

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

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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. On September 6, 2006, the Company changed its name to Rubicon Financial Incorporated. On June 2, 2008, the Company completed its acquisition of Newport Coast Securities, Inc. (“NCS”), a California corporation registered with the Financial Industry Regulatory Authority.

Principles of Consolidation

The financial statements as of December 31, 2012 and for the nine months ended September 30, 2013 and 2012 include those of: Rubicon Financial Incorporated (“Rubicon”) and its wholly owned subsidiary, Newport Coast Securities, Inc. (“NCS”). All significant inter-company transactions and balances have been eliminated. RBCF and its subsidiary 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.

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 – 5 years and 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, 2012 or September 30, 2013. Depreciation expense for the nine months ended September 30, 2013 and 2012 was \$12,656 and \$13,356, 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 nine months ended September 30, 2013 and 2012.

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Revenue Recognition

The Company recognizes revenue in accordance with ASC subtopic 605-10, net of expected cancellations and allowances. As of September 30, 2013 and December 31, 2012, the Company evaluated evidence of cancellation in order to make a reliable estimate and determined there were no material cancellations during the periods and therefore no allowances has been made.

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.

Income Taxes

The Company follows ASC subtopic 740-10 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 September 30, 2013 and December 31, 2012 due to their short-term nature. See Note 12 for further details.

Earnings (Loss) per Common Share

Net earnings (loss) per share is computed in accordance with ASC subtopic 260-10. The Company presents basic earnings (loss) per share ("EPS") and diluted EPS on the face of condensed consolidated statements of operations. Basic EPS is computed by dividing reported earnings or loss by the weighted average shares outstanding. Diluted EPS is computed by adding to the weighted average shares, the dilutive effect if preferred stock, stock options and warrants were exercised into common stock. For the nine months ended September 30, 2013 and 2012, the denominator in the diluted EPS computation is greater than the denominator for basic EPS due to the effects of common stock that could be issued if the preferred stock were converted to common. There were no in-the-money options or warrants as of September 30, 2013 or 2012.

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.

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Recent Pronouncements

The Company reviewed all recent accounting pronouncements issued by the FASB (including the Emerging Issues Task Force), the AICPA, and the SEC and they did not or are not believed by management to have a material impact on the Company's present or future financial statements.

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, 2012.

NOTE 2 – Restricted Cash

The Company's wholly owned subsidiary, NCS, has entered into securities clearing agreements. 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 September 30, 2013, the Company maintained deposits of \$121,090 for total restricted cash of \$121,090. As of December 31, 2012, the Company maintained deposits of \$161,802 for total restricted cash of \$161,802.

NOTE 3 – Goodwill

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 goodwill of \$2,403,671. This asset was evaluated for impairment as of September 30, 2013 and December 31, 2012 and management determined that no impairment was needed.

NOTE 4 - 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 December 31, 2012 and September 30, 2013, the Company believed that all unrealized losses and gains are not other-than-temporary based on market conditions and the volatility of investments being held. 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, 2012:

The Company held various investments in publically-traded common stock in various corporations and one investment in a REIT with a total aggregate fair market value, based on published market prices, of \$60,493. The

accumulated unrealized gain on these securities is \$29,599 and is shown as accumulated other comprehensive gain on these financial statements. Of the investments, one was in a loss position for a total aggregate unrealized loss of \$2,497 and had been in a loss position for more than twelve months. None of the losses were determined to be other-than-temporary as of December 31, 2012.

As of September 30, 2013:

The Company held various investments in publically-traded common stock in various corporations and one investment in a REIT with a total aggregate fair market value, based on published market prices, of \$21,730. The accumulated unrealized gain on these securities is \$7,551 and is shown as accumulated other comprehensive gain on these financial statements. Of the investments, none were in a loss position.

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NOTE 5 – Notes receivable

Brown:

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 December 31, 2011 was \$19,037. During the year ended December 31, 2012, this note was paid off and the balance of the note as of December 31, 2012 was \$0.

Miscellaneous:

During the year ended December 31, 2011, Rubicon issued a total of four notes receivable in the total amount of \$95,571. \$44,667 in payments were received during the year and the balance due was \$50,904 as of December 31, 2011. \$50,904 in payments were received during the year ended December 31, 2012 and the balance due was \$0 as of December 31, 2012 relating to these notes.

During the year ended December 31, 2012, the Company issued a total of three notes receivable in the total amount of \$67,485. \$1,250 in payments were received during the year ended December 31, 2012 and the balance due was \$66,235 as of December 31, 2012. During the nine months ended September 30, 2013, the Company issued additional notes receivable in the amount of \$187,602. \$112,560 in payments were received during the nine months ended September 30, 2013 and the balance receivable was \$141,277 as of September 30, 2013.

NOTE 6 – Related Party Transactions

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

As of September 30, 2013 and December 31, 2012, the Company owed accrued payroll to one of its officers/directors in the amount of \$65,650 and \$13,500, respectively.

During the nine months ended September 30, 2013, 426,000 shares of Series B convertible preferred stock were sold to an officer/director of the Company for \$426,000. See note 8 for further details.

NOTE 7 – Notes payable

Notes payable consist of the following at December 31, 2012 and September 30, 2013:

	December 31, 2012	September 30, 2013
Promissory note to an unrelated party for \$726,500, secured by all the assets of the Company including the stock of NCS, interest at 14%, and matures in December of 2015	\$ 712,256	\$ 556,442
Promissory note to a bank for \$100,000, secured by cash held in impound account at the bank. Bears interest at the prime rate, 3.25% as of December 31, 2012, and matures in March of 2013.	8,653	-
	-	145,572
Promissory note to a bank for \$168,000, secured by cash held in impound account at the bank. Bears interest at the prime rate, 3.25%		

as of December 31, 2012, and matures in April of 2016

Promissory note to a bank for \$100,000, secured by cash held in
impound account at the bank. Bears interest at the prime rate, 3.25% as
of December 31, 2012, and matures in March of 2014.

42,835 17,320

\$ 763,744 \$ 719,334

As of September 30, 2013, \$306,898 of the notes payable are short-term and \$412,436 are long-term. As of December 31, 2012 \$254,335 of the notes payable is short-term and \$509,409 is long-term.

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During the year ended December 31, 2011, Rubicon obtained a line of credit in the amount of \$200,000. The line is collateralized by Rubicon's deposits at the bank. The line bears interest at the rate Rubicon's money market account earns at the bank plus 2%, which was 2.45% as of December 31, 2012. The line matures in March of 2014. As of December 31, 2012 and September 30, 2013, Rubicon had borrowed \$200,000 on the line.

Interest expense, related to the above, for the nine months ended September 30, 2013 and 2012 was \$91,375 and \$18,532, respectively.

NOTE 8 – Stockholders' equity

Common stock

The Company is authorized to issue 100,000,000 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 Series A Convertible Preferred Stock and 1,000,000 shares are designated as Series B 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.

Series A Convertible Preferred Stock

Holders of 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. Originally, the 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. In February of 2013, the conversion rate was amended to twenty 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.

Series B Convertible Preferred Stock

The Company established Series B Convertible Preferred Stock on February 23, 2013. Holders of Series B Convertible Preferred Stock shall have the right to ten votes for each share held on matters that come before the stockholders. Following the expiration of twelve months from the date of issuance, Series B Convertible Preferred Stock may be converted at a rate of five shares of common stock for each share of Series B Convertible Preferred stock. Series B Convertible Preferred Stock ranks senior to common stock in the event of liquidation. The Series B Convertible Preferred Stock is redeemable, in whole or in part, at a redemption price of \$1.00 per share under the following conditions:

The Company shall be required to utilize certain amounts of funds it receives from equity or debt financing after the date of issuance of shares of Series B Preferred Stock to redeem the shares in accordance with the following: (i) the Company shall utilize 100% of funds received from the issuance and sale of shares of Series A preferred stock to

redeem the shares of Series B Preferred Stock; (ii) the Company will not be required to redeem any shares of Series B Preferred stock for financings up to \$500,000 in the aggregate; (iii) the Company shall utilize a minimum of 10% of the funds received to redeem the shares of Series B Preferred Stock from financings from \$500,001 up to \$1,000,000 in the aggregate; and (iv) the Company shall utilize a minimum of 25% of the funds received to redeem the shares of Series B Preferred Stock for financings in excess of \$1,000,001 in the aggregate. The Company may choose to redeem the shares of Series B Preferred Stock from time to time after the date of issuance (each a "Redemption Date"), in whole or in part, by paying in cash in exchange for the shares of Preferred Stock to be redeemed a sum equal to \$1.00 per Share of Preferred Stock.

As of December 31, 2011, there were 62,500 Series A preferred shares issued and outstanding, 14,714,023 common shares issued and outstanding, and 525,000 common shares owed but not issued.

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Year Ended December 31, 2012

In the three months ended March 31, 2012, 275,000 shares of common stock that were owed but not issued at December 31, 2011 were issued.

In July of 2012, 100,000 shares of common stock were issued to an employee as compensation valued at \$40,000. The common stock was valued at the market value on the day of the grant.

As of December 31, 2012, there were 62,500 Series A preferred shares issued and outstanding, 15,089,023 common shares issued and outstanding, and 250,000 common shares owed but not issued.

Nine Months Ended September 30, 2013

In February of 2013, the Company sold 426,000 shares of Series B preferred stock to an officer/director for \$426,000.

In the second quarter of 2013, the Company began conducting a private placement offering of up to \$525,000 of units of securities at \$0.15 per unit. Each unit consists of one share of common stock and one three-year warrant to purchase one share of common stock at an exercise price of \$0.50 per share.

In May of 2013, the Company had its first closing related to the private placement offering and sold 1,666,667 units for a total of \$250,000.

As of September 30, 2013, there were 62,500 Series A preferred shares issued and outstanding, 426,000 Series B preferred shares issued and outstanding, 16,755,691 common shares issued and outstanding, and 250,000 common shares owed but not issued.

NOTE 9 – Warrants and options

Warrants

As of December 31, 2012, there were no outstanding warrants.

As discussed in Note 8 above, during the second quarter of 2013, the company sold 1,666,667 units in its private placement offering. Included in those units were 1,666,667 warrants with a term of three years and an exercise price of \$0.50. The warrants will expire in May of 2016.

Options

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. The options expired on June 2, 2013.

A summary of stock options and warrants as of September 30, 2013 and December 31, 2012 is as follows:

	Options	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding as of 01/01/12:	500,000	\$ 1.00	-	\$ -
Granted	-	-	-	-

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Cancelled	-	-	-	-
Expired	-	-	-	-
Outstanding as of 12/31/12:	500,000	\$ 1.00	-	\$ -
Granted	-	-	1,666,667	0.50
Cancelled	-	-	-	-
Expired	(500,000)	1.00	-	-
Outstanding as of 9/30/13:	-	\$ -	1,666,667	\$ 0.50
Vested as of 9/30/13:	-	\$ -	1,666,667	\$ 0.50

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NOTE 10 – Operating Segments

Rubicon’s operating segments are evidence of its internal organization. The major segments are defined by the type of financial services offered. Where applicable, “Corporate” represents items necessary to reconcile to the consolidated financial statements, which generally include corporate activity at the parent level and intercompany 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 Nine Months Ended September 30,	
	2013	2012
Revenue		
Brokerage services	\$ 13,415,716	\$ 11,669,298
	13,415,716	11,669,298
Expenses		
Brokerage services	13,100,246	11,264,123
Corporate	255,652	(1,140,954)
	13,355,898	10,123,169
Net income	\$ 59,818	\$ 1,546,129

NOTE 11 – 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 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 December 31, 2012 and September 30, 2013 for this matter, which is included in accrued investment obligation on its Consolidated Balance Sheet.

American International Industries, Inc. Lawsuit:

On December 7, 2011, the Company was served with a Notice of Entry of Judgment on Sister-State Judgment resulting from a purported default judgment entered against it from the District Court of Harris County, Texas 281st Judicial District on or about August 19, 2011. The default judgment was granted to American International Industries,

Inc. ("AMIN") against the Company in the amount of \$2,030,114.40. As of December 31, 2011, the Company recorded a current liability for the default judgment in the amount of \$2,030,114.

The Company disputed the validity of the default judgment, believed it had settled any and all disputes with AMIN, the underlying suit was dismissed by the Texas court, and believed there are a number of other issues involved in this case; including, but not limited to, improper service, abuse of process, and accord and satisfaction. During the second quarter of 2012, the default judgment was set aside and the Company lowered the \$2,030,114 accrual to \$268,000 resulting in lawsuit settlement income of \$1,762,114 during the year ended December 31, 2012. 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 believed the \$268,000 accrue is adequate to cover the final settlement.

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During the second quarter of 2013, the case was settled with a cash payment of \$7,500. The remainder of the accrual of \$260,500 was written off as legal settlement income in the nine months ended September 30, 2013.

The case arises from a suit filed by AMIN in March of 2010 alleging breach of contract, rescission, fraudulent inducement, common law fraud and fraud in the sale of securities relating to a November 2007 Stock Purchase and Investment Agreement between the Company and AMIN. This suit was originally dismissed by the Texas court in December of 2010, prior to the date the Company was required to answer. The agreement with AMIN was for an aggregate of \$2,000,000 through the sale and issuance of 1,000,000 shares of the Company's restricted common stock for \$2.00 per share. Pursuant to the agreement, the Company issued 1,000,000 shares of restricted common stock in exchange for payment by AMIN of \$1,000,000 in cash and the issuance of 200,000 shares of AMIN's restricted common stock, valued at \$5.00 per share based on the trading price of AMIN's common stock at the time.

As of September 30, 2013 and December 31, 2012, the Company recorded a current liability for this contingency in the amount of \$0 and \$268,000, respectively.

Scott Lawsuit:

The Company was party to a lawsuit from a former employee for wrongful termination and harassment. In February of 2013, a FINRA arbitration panel issued an order awarding \$300,000 in compensatory damages and \$125,863 in attorney's fees. Arbitration fees of \$19,650 have also been incurred. A total of \$445,513 has been recorded as an accrued liability as of December 31, 2012 and legal settlement expense of \$425,863 has been recorded in the year ended December 31, 2012. The settlement and arbitration fees were paid during the three months ended March 31, 2013 so there is no liability related to this contingency as of September 30, 2013.

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 \$220,000 and \$472,500 as of September 30, 2013 and December 31, 2012, respectively, for these matters, which is included on its Consolidated Balance Sheet. Management feels it is unlikely that any expense associated with current litigation or arbitrations would exceed the amount accrued.

Office lease agreements

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In October of 2009, the Company entered into a long-term lease agreement for office space in Irvine, California commencing January 1, 2010 and ending on June 30, 2015. In December of 2012, the Company entered into a long-term lease agreement for office space in New York, New York commencing January 1, 2013 and ending on December 31, 2014. The annual lease payments due pursuant to these agreements are as follows:

Year Ending December 31,	Amount
2013	\$ 317,938
2014	324,232
2015	114,398
Total	\$ 756,568

Rent expense is included in general and administrative expense and totaled \$236,536 and \$129,908 for the nine months ended September 30, 2013 and 2012, respectively.

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Note 12 - 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.

The following table presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis as of December 31, 2012:

	Level 1	Level 2	Level 3	Fair Value
Cash	\$ 1,947,538	\$ -	-	\$ 1,947,538
Accounts receivable	-	402,708	-	402,708
Marketable securities	60,493	-	-	60,493
Notes and interest receivable	-	66,235	-	66,235
Accounts payable	-	840,681	-	840,681
Accrued expenses	-	1,962,152	-	1,962,152
Notes payable	-	763,744	-	763,744

The following table presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis as of September 30, 2013:

	Level 1	Level 2	Level 3	Fair Value
Cash	\$ 1,250,416	\$ -	-	\$ 1,250,416
	-	710,262	-	710,262

Accounts receivable				
Marketable securities	21,730	-	-	21,730
Notes and interest receivable	-	141,277	-	141,277
Accounts payable	-	326,837	-	326,837
Accrued expenses	-	1,138,781	-	1,138,781
Notes payable	-	719,334	-	719,334

Note 13 – 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 and the following subsequent events to disclose:

On October 23rd, 2013, the Company conducted a closing under a private placement offering selling 500,000 units for \$100,000 to one accredited investor. Each unit consists of one share of common stock and one three year warrant to purchase one share of common stock for \$0.50 per share. The shares of common stock have not been issued as of the date of this report.

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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 Annual Report on Form 10-K, Quarterly Reports on Form 10-Q 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;
 - adverse actions by regulatory agencies, including the SEC or FINRA;
 - adverse outcomes of current or future arbitrations and litigation;
 - 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, 2012.

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

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

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.

Overview of Financial Services

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 single-source, financial services provider.

Results of Operations

The following tables summarize selected items from the statement of operations for the three and nine months ended September 30, 2013 and 2012.

Revenue:

	Three Months Ended			% Change	Nine Months Ended			% Change
	2013	September 30, 2012			2013	September 30, 2012		
Consolidated								
Revenue	\$ 4,908,601	\$ 3,721,188		32%	\$ 13,415,716	\$ 11,669,298		15%
Operating expenses	\$ 4,917,648	\$ 3,794,926		30%	\$ 13,563,415	\$ 11,919,179		14%
Net operating income (loss)	\$ (9,047)	\$ (73,738)		(88%)	\$ (147,699)	\$ (249,881)		(41%)

The third quarter is consistently our slowest quarter for business, primarily due to summer seasonal slowdown; however, we were able to increase revenues by 32% and 15%, respectively, for the three and nine months ended September 30, 2013 over the same periods of 2012.

During the three and nine months ended September 30, 2013 our operating expenses increased by 30% and 14%, respectively, over the same periods of 2012. The increased administrative and legal costs were associated with Newport Coast moving its headquarters to New York, the opening of its Chicago office and legal costs associated with regulatory and customer matters. We intend to continue our focus on recruiting qualified advisors to our New York, Chicago & Irvine corporate offices while adding independent qualified OSJ's.

During the three months ended September 30, 2013 we generated a net operating loss of \$9,047, compared to a net operating loss of \$73,738 for the same period in 2012, resulting in significant reduction in net loss (88%). Additionally, for the nine months ended September 30, 2013 we generated a net operating loss of \$147,699, compared to a net operating loss of \$249,881 for the same nine month period in 2012, which was primarily the result of the \$1,746,418 increase in revenues offset by the increased general & administrative, legal and compliance costs for the nine months ended September 30, 2013.

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Selling and Administrative Expenses:

	Three Months Ended September 30, 2013			Nine Months Ended September 30, 2013		
	2012	% Change		2012	% Change	
Direct costs	\$ 3,838,865	\$ 3,063,342	25 %	\$ 10,677,449	\$ 9,255,124	15%
Consulting	15,482	15,789	(2%)	43,133	55,158	(22%)
Professional fees	299,006	320,071	(7%)	563,285	650,942	(13%)
Executive compensation	161,550	159,780	1%	483,433	519,810	(7%)
General expenses	598,333	231,601	158%	1,783,459	1,424,789	25%
Depreciation and amortization	4,412	4,343	2%	12,656	13,356	(5%)
Operating expenses	\$ 4,917,648	\$ 3,794,926	30%	\$ 13,563,415	\$ 11,919,179	14%

Operating expenses increased by 30% and 14%, respectively, for the three and nine month periods ended September 30, 2013 compared to the same periods of 2012. The increase was primarily attributable to an increase in rent of \$69,032 for the three months, an increase of 62%, and \$235,095 for the nine months, up 83%.

Other income and (expense)

	Three Months Ended September 30, 2013			Nine Months Ended September 30, 2013		
	2012	% Change		2012	% Change	
Consolidated						
Interest income	\$20,581	\$1,819	1,031 %	\$39,709	\$7,237	449 %
Interest (expense)	(28,976)	(11,123)	161 %	(91,375)	(18,532)	393 %
Gain (loss) on sale of investments	-	1,219	-	-	1,266	-
Legal settlement income	-	-	-	260,500	1,762,114	(85 %)
Other income	(6,471)	15,177	(143 %)	(1,317)	43,925	(103 %)

Other income and expense consists of interest earned and expenses. We experienced a 1031% increase in interest income for the three and nine months ended September 30, 2013, as a direct result of increased customer margin balances. Interest was incurred during ordinary course of business through the use of corporate credit cards and outstanding bank loans.

Satisfaction of our cash obligations for the next 12 months.

As of September 30, 2013 we had available cash of \$1,129,326. We believe these funds will help support existing operational costs and along with revenues from operations will be sufficient to satisfy our working capital requirements for at least the next twelve months. However, if we experience other than ordinary expenses or extraordinary events, we may need to raise additional funds through either equity, including convertible securities such as preferred stock or debentures, or debt financing.

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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 with we have a full time employment agreement. 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.

In NCS we have increased our number of employees to a level which satisfies not only our current requirements in an economically sensible manner but allows for growth over the next year. As the economic conditions improve, we anticipate an increase in our staffing levels as a measure to ensure continued growth. Currently, we employ three executives and eighteen 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.

The following table summarizes our current assets, liabilities and working capital at September 30, 2013 compared to December 31, 2012.

	September 30, 2013	December 31, 2012	Increase / (Decrease)	
			\$	%
Current Assets	\$ 2,297,031	\$ 2,619,238	\$ (322,207)	(12%)
Current Liabilities	2,459,516	3,257,168	(797,652)	(24%)
Working Capital	\$ (162,485)	\$ (637,930)	\$ 475,445	75%

As we expand our activities, we may continue to experience net negative cash flows and losses from operations, pending receipt of additional revenues.

We believe the \$1,129,326 in un-restricted cash on hand at September 30, 2013 will be sufficient to sustain operations for a minimum of the next twelve months. However, as we expand operations or experience unforeseen expenditures or other demands on cash, we may 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.

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.

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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 September 30, 2013 and 2012, 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.

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.

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 effective in timely altering him to material information relating to us (including our consolidated subsidiaries) required to be included in our periodic SEC filings.

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.

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PART II--OTHER INFORMATION

Item 1. Legal Proceedings.

In addition to the matters described below, in the normal course of business, we have been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation, arising in connection with our activities as a financial services company. Certain of the actual or threatened legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. In some cases, the entities that would otherwise be the primary defendants in such cases are bankrupt or in financial distress.

We are also involved, from time to time, in other reviews, investigations and proceedings (both formal and informal) by governmental and self-regulatory agencies regarding our business, and involving, among other matters, accounting and operational matters, certain of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief.

We contest liability and/or the amount of damages as appropriate in each pending matter. Where available information indicates that it is probable a liability had been incurred at the date of the consolidated financial statements and we can reasonably estimate the amount of that loss, we accrue the estimated loss by a charge to income.

In many proceedings, however, it is inherently difficult to determine whether any loss is probable or even possible or to estimate the amount of any loss. We cannot predict with certainty if, how or when such proceedings will be resolved or what the eventual settlement, fine, penalty or other relief, if any, may be, particularly for proceedings that are in their early stages of development or where plaintiffs seek substantial or indeterminate damages. Numerous issues may need to be resolved, including through potentially lengthy discovery and determination of important factual matters, determination of issues related to class certification and the calculation of damages, and by addressing novel or unsettled legal questions relevant to the proceedings in question, before a loss or additional loss or range of loss or additional loss can be reasonably estimated for any proceeding. Subject to the foregoing, we believe, based on current knowledge and after consultation with counsel, that the outcome of such proceedings could be material to our consolidated financial condition, operating results and cash flows depending on, among other things, the level of our revenues or income.

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 30 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 effectively dismissed the Bettingens second amended cross-complaint and the causes of action resulting

therefrom. The Bettingens appealed the Court's ruling on the demurrer.

In addition, on October 14, 2010, our motion for attorney's fees and costs against the Bettingens was granted and we were awarded attorneys' fees in the sum of \$337,634.00, and costs in the sum of \$18,235.50. The Bettingens appealed the Court's ruling on the motion for attorney's fees.

Appeal Decisions

On December 27, 2011, we received the appeal opinions from the Court of Appeal of the State of California in both of the matters discussed above.

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As to the demurrer on the Bettingens second amended cross-complaint, the Court of Appeals affirmed the dismissal of 21 of the Bettingens causes of action and reversed the judgment as to nine causes of action. The reversed causes of action include (1) breach of contract, breach of the implied covenant of good faith and fair dealing, and declaratory relief (1st through 5th and 23d causes of action) against us and Newport Coast Securities; (2) defamation against Joseph Mangiapane, Jr. (16th cause of action); and (3) the FEHA causes of action for discrimination and retaliation in violation of the FEHA (25th and 26th causes of action) against us and Newport Coast Securities. Further, the Court affirmed the dismissal as to the individual defendants, other than Mr. Mangiapane, included in the second amended cross-complaint.

Further, as to the award of attorney's fees, the Court of Appeals reversed the judgment stating that due to the reversal of parts of the demurrer, the award cannot stand and must be vacated.

We believe the Bettingen claims have no merit and intend to continue to aggressively pursue this action, which remains in complex litigation court.

General Litigation and Arbitration Claims

In addition to the above referenced matters, we have several pending claims and arbitrations incurred in the normal course of business. In our opinion, such claims can be resolved without any material adverse effect on our consolidated financial position, results of operations, or cash flows.

We maintain 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 our insurance carriers could refuse to cover certain of these claims in whole or in part. We accrue costs to defend ourselves 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 our estimates and reserves, our financial statements could nonetheless be materially affected by an adverse judgment. We believe we have 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 we 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, we have accrued \$220,000 and \$472,500 as of September 30, 2013 and December 31, 2012, respectively, for these matters, which is included on our Consolidated Balance Sheet. Management feels it is unlikely that any expense associated with current litigation or arbitrations would exceed the amount accrued.

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Item 1A. Risk Factors.

Our significant business risks are described in Item 1A to Form 10-K for the year ended December 31, 2012 to which reference is made herein.

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

On October 23, 2013, we conducted the third closing under a private placement offering selling 500,000 units for \$100,000 to one accredited investor. Each unit consists of one share of common stock and one three year warrant to purchase one share of common stock for \$0.50 per share. The shares of common stock have not been issued as of the date of this report.

All of the above-described issuances were exempt from registration pursuant to Section 4(2) and/or Regulation D of the Securities Act as transactions not involving a public offering. With respect to each transaction listed above, no general solicitation was made by either the Company or any person acting on its behalf. All such securities issued pursuant to such exemptions are restricted securities as defined in Rule 144(a)(3) promulgated under the Securities Act, appropriate legends have been placed on the documents evidencing the securities, and may not be offered or sold absent registration or pursuant to an exemption therefrom.

Issuer Purchases of Equity Securities

We did not repurchase any of our equity securities during the quarter ended September 30, 2013.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

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Item 6. Exhibits.

Exhibit	Exhibit Description	Filed herewith	Incorporated by reference		
			Form	Period ending	Exhibit date
2.1	Agreement and Plan of Merger and Reincorporation, dated August 22, 2011		8-K		2(c) 9/21/11
2.1(b)	Articles of Merger of Rubicon Financial Incorporated, a Nevada corporation and Rubicon Financial Incorporated, a Delaware corporation – Dated August 29, 2011		8-K		3(i)(i) 9/21/11
2.1(c)	Certificate of Merger of Rubicon Financial Incorporated, Nevada corporation and Rubicon Financial Incorporated, Delaware corporation		8-K		3(i)(j) 9/21/11
2.2	Merger Agreement among Rubicon Financial Incorporated, RFI Sub, Inc. and Grant Bettingen, Inc.		8-K		2.7 07/05/07
2.2(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
2.2(c)	Amendment No.2 to the Merger Agreement among Rubicon Financial Incorporated, RFI Sub, Inc. and Grant Bettingen, Inc., dated January 23, 2007		8-K		2.7(c) 01/24/08
2.2(d)	Amendment No. 3 to the Merger Agreement among Rubicon Financial Incorporated, RFI Sub, Inc. and Grant Bettingen, Inc., dated March 18, 2008		8-K		2.7(d) 03/21/08
2.3	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)	Articles of Incorporation, as currently in effect		8-K		3(i)(h) 9/21/11
3.1(ii)	Bylaws, as currently in effect		8-K		3(ii)(c) 9/21/11
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
4.2	Amended and Restated Certificate of Designation of Series A Convertible Preferred Stock		8-K		4.1 03/07/13
4.3	Certificate of Designation for Series B Convertible Preferred Stock		8-K		4.2 03/07/13
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	Term Note with Gordon and Adele Binder, Community Property, dated November 30, 2012		8-K		10.1 12/14/12
10.5	Security Agreement in favor of Gordon and Adele Binder, Community Property, dated November 30,		8-K		10.2 12/14/12

	2012	
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
101.INS	XBRL Instance Document	X
101.SCH	XBRL Taxonomy Extension Schema	X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	X
101.DEF	XBRL Taxonomy Extension Definition Linkbase	X
101.LAB	XBRL Taxonomy Extension Label Linkbase	X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	X

† Indicates management contract or compensatory plan or arrangement.

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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: November 19, 2013

