RUBICON FINANCIAL INC
Form 10-Q
June 29, 2015

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2015
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	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 þ 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 þ No o

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 þ

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

The number of shares of Common Stock, $0.001 par value, outstanding on June 16, 2015, was 25,045,527, which does not include 250,000 shares authorized but unissued.

Table of Contents

TABLE OF CONTENTS

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Rubicon Financial Incorporated
Condensed Consolidated Balance Sheets

	March 31, 2015 (Unaudited)	December 31, 2014
Assets		
Current assets:		
Cash	$ 481,191	$ 1,688,535
Cash – restricted	189,989	204,011
Marketable securities	55,921	80,878
Accounts receivable	1,552,685	1,302,255
Prepaid expenses	44,311	6,289
Contract advances, current portion	63,069	95,236
Total current assets	2,387,166	3,377,204
Fixed assets, net of accumulated depreciation of $319,959 and $312,410, respectively	110,990	118,539
Other assets:		
Contract advances	76,042	81,500
Deposits	107,342	108,917
Total other assets	183,384	190,417
Total assets	$ 2,681,540	$ 3,686,160
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 277,435	$ 636,210
Accrued expenses	1,060,712	1,763,937
Investment obligation	-	690,000
Line of credit	-	200,000
Note payable, current portion	873,505	690,662
Contingent liabilities	195,000	195,000
Total current liabilities	2,406,652	4,175,809
Long term liabilities:		
Note payable	223,887	20,644
Preferred series "B", $0.001 par value, 2,000,000 shares authorized, 1,500,000 shares and zero shares issued and outstanding as of March 31, 2015 and December 31, 2014, respectively	300,000	-
Stockholders' equity		
Preferred series "A", $0.001 par value, 1,000,000 shares authorized, zero shares issued and outstanding as of March 31, 2015 and December 31, 2014, respectively	-	-
Common stock, $0.001 par value, 100,000,000 shares authorized, 25,045,527 and 24,503,193 shares issued and outstanding as of March 31, 2015 and	25,045	24,503

December 31, 2014, respectively		
Common stock owed but not issued, 250,000 and 792,334 shares as of March 31, 2015 and December 31, 2014, respectively	250	792
Additional paid in capital	20,557,797	20,292,797
Other comprehensive losses	-	(15,672)
Accumulated (deficit)	(20,832,091)	(20,812,713)
Total stockholders' equity	(248,999)	(510,293)
Total liabilities and stockholders' equity	$ 2,681,540	$ 3,686,160

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, 2015	2014
Revenue:		
Commissions	$ 2,106,431	$ 2,002,064
Investment banking fees	1,428,087	1,826,320
Selling concessions		
Insurance	180,692	306,625
Mutual funds	89,450	303,686
Managed fee accounts	359,557	255,631
Other income	379,174	528,788
Total Revenue	4,543,391	5,223,114
Expenses:		
Direct costs	3,303,693	4,009,014
Professional fees	91,698	85,153
Executive compensation	105,100	179,259
General and administrative expenses	1,046,946	895,888
Depreciation	7,549	5,099
Total operating expenses	4,554,986	5,174,413
Net operating income (loss)	(11,595)	48,701
Other income (expense):		
Interest expense	(8,697)	(29,272)
Interest income	913	200
Total other income (expense)	(7,784)	(29,072)
Net income (loss)	(19,379)	19,629
Other comprehensive income (loss)	15,672	6,972
Total comprehensive income (loss)	$ (3,707)	$ 26,601
Weighted average number of common shares Outstanding – basic	24,711,793	16,755,691
Net income (loss) per share – basic	$ (0.00)	$ 0.00
Weighted average number of common shares Outstanding – diluted	N/A	26,469,026
Net income (loss) per share – diluted	$ N/A	0.00

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, 2015	2014
Cash flows from operating activities		
Net income (loss)	$ (19,379)	$ 19,629
Adjustments to reconcile net (loss) to net cash (used) in operating activities:		
Depreciation expense	7,549	5,099
Amortization of contract advances	37,625	30,123
Amortization of notes receivable	-	8,125
Amortization of capitalized financing costs	-	5,828
Changes in operating assets and liabilities		
Accounts receivable	(250,430)	(196,191)
Prepaid expenses	(38,022)	33,139
Deposits and other assets	1,575	(70,686)
Accounts payable and accrued liabilities	(762,000)	199,557
Contract advances	-	(45,000)
Net cash (used) by operating activities	(1,023,082)	(10,377)
Cash flows from investing activities		
Purchase of fixed assets	-	-
Purchase/proceeds of investments, net	40,629	124,794
Net cash (used) by investing activities	40,629	124,794
Cash flows from financing activities		
Payments on note payable, net	(238,913)	(77,182)
Proceeds from stock issuances	-	700,000
Net cash provided by financing activities	(238,913)	622,818
Net (decrease) increase in cash	(1,221,366)	737,235
Cash – beginning	1,892,546	1,050,472
Cash – ending	$ 671,180	$ 1,787,707
Supplemental disclosure		
Interest paid	$ 8,697	$ 28,825
Income taxes paid	$ -	$ -
Preferred stock issued for accruals	300,000	-
Warrants issued for accruals	265,000	-

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

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 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 acquired Rubicon Financial Insurance Services, Inc. a California corporation ("RFIS"). Effective May 11, 2007, the Company acquired Rubicon Real Estate and Mortgages, Inc., a California corporation ("RREM"). On June 2, 2008, the Company acquired Newport Coast Securities, Inc. ("NCS") (formerly Grant Bettingen, Inc.), a California corporation registered with the Financial Industry Regulatory Authority and the Securities and Exchange Commission. 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, 2014 and for the three months ended March 31st, 2015 and 2014 include 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 is 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 and 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
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, 2014 or March 31, 2015. Depreciation expense for the three months ended March 31, 2015 and 2014 was $7,549 and $5,099, 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, 2014 and 2015.

Table of Contents

Revenue Recognition

The Company recognizes revenue in accordance with ASC subtopic 605-10, net of expected cancellations and allowances. As of March 31, 2015 and December 31, 2014, 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 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. The Company recognizes commissions on a gross basis from its broker services on the trade-date. 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. See Note 5 for further details.

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, 2015 and December 31, 2014 due to their short-term nature. See Note 15 for further details.

Income (loss) per Common Share

Net income (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 common shares outstanding. Diluted EPS is computed by adding to the weighted average common shares the dilutive effect of possible preferred stock conversions and in-the-money stock options and warrants. For the three months ended March 31st, 2014, the denominator in the diluted EPS computation is 9,713,335 shares higher than the denominator for basic EPS due of possible conversions of preferred stock, series A and B, and in-the-money warrants as of March 31, 2014. For the three months ended March 31, 2015, the denominator in the diluted EPS computation is 1,500,000 higher than the denominator for basic EPS due to convertible preferred stock. There were no in-the-money options or warrants as of March 31, 2015.

Credit Risks

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At December 31, 2014, the Company had approximately $1,027,695 in excess of FDIC insured limits. At March 31, 2015, the Company had approximately $25,554 in excess of FDIC insured limits.

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.

Table of Contents

Recent Pronouncements
The Company reviewed all recent accounting pronouncements issued by the FASB (including its 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, 2014.

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 $20,832,091 since inception and incurred net losses of $1,328,104 and $221,683 for the years ended December 31, 2014 and 2013. 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 APEX Clearing Corporation (“APEX”), Wedbush, Morgan Securities, Inc. (“Wedbush”), and COR Clearing, LLC (COR). 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 December 31st, 2014, the Company maintained deposits with APEX, Wedbush, and COR of $92,599, $61,412, and $50,000, respectively, for total restricted cash of $204,011. As of March 31st, 2015, the Company maintained deposits with APEX and Wedbush and COR of $78,557 and $61,412, and $50,000, respectively, for total restricted cash of $189,989.

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 relating to customer lists/relationships of $2,403,671. This asset was amortized over its five year estimated useful life. As of December 31, 2014, the balance of the asset, net of accumulated depreciation of $2,403,671, was $0. As of March 31, 2015, the balance of the asset, net of accumulated amortization of $2,403,671, was $0 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 December 31, 2014 and March 31, 2015, 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, 2014:
The Company held six 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 $80,878. The Company's total cost in these investments was $96,550 resulting in an accumulated unrealized loss of $15,672. This is shown as accumulated other comprehensive loss in the equity section of the balance sheet on these financial statements. Of the investments, three was in a loss position as of December 31, 2014, for a total aggregate unrealized loss of $23,820. During the year ended December 31, 2014, $96,300 of losses were moved from the unrealized to realized as they were deemed to have become other-than-temporary.

Table of Contents

As of March 31, 2015:
The Company held five 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 $55,921. The accumulated unrealized loss on these securities is $0 and is shown as accumulated other comprehensive gain on these financial statements. Of the investments, three was in a loss position for a total aggregate unrealized loss of $10,475.

NOTE 6 – Notes receivable
During the year ended December 31, 2012, the Company issued a total of three notes in the total amount of $67,485. The notes do not bear interest. The balance due was $43,569 as of December 31, 2013 relating to these notes. The balance due was $0 as of December 31, 2014 and March 31st, 2015 relating to these notes.

NOTE 7 – Accounts Receivable
Amounts receivable from clearing organizations and others at March 31, 2015 consisted of the following:

COR Clearing, LLC	$936,535
Others	541,802
Wedbush Morgan Securities	74,348
	$1,552,685

NOTE 8 – Related Party Transactions
All intercompany transactions have been eliminated in consolidation. All intercompany balances do not bear interest.

As of December 31, 2014 and March 31st, 2015, the Company owed accrued payroll to one of its officers/directors in the amount of $97,150 and $42,400, respectively. In January of 2015, 1,000,000 shares of preferred stock, series B, was issued to its officer/director for $200,000 of accrued payroll.

As of March 31, 2015, the company owes an officer/director $45,000 for company expenses paid for by the officer/director.

In February of 2013, the Company sold 426,000 shares of series B preferred stock to an officer/director for $426,000. In May of 2014, the Company reached an agreement with an officer/director to buyback 1,002,500 shares of common stock and 426,000 shares of series B preferred stock for $150,000. Of the purchase price, $75,000 was payable immediately and the other $75,000 is payable on or before March 31, 2015. Concurrent with the agreement the officer/director resigned as an officer and director of the Company.

NOTE 9 – Fixed Assets
Fixed assets consisted of the following:

	March 31, 2015	Dec 31, 2014
Furniture	$ 114,628	$ 114,628
Equipment	249,295	249,295
Software	67,026	67,026
	430,949	430,949
Accumulated depreciation	(319,959)	(312,410)
	$ 110,990	$ 118,539

During the three months ended March 31, 2015 and 2014, depreciation expense was $7,549 and $5,099, respectively.

9

Table of Contents

NOTE 10 – Notes payable and Line of Credit

Notes payable consist of the following at December 31, 2014 and March 31, 2015:

	Dec 31, 2014	March 31, 2015
Promissory note for $300,000, unsecured. Bears interest at 6.00% as of December 31, 2014, and matures in December of 2015.	300,000	$300,000
Promissory for $25,000, unsecured. Bears interest at the prime rate, 6.00% as of March 31, 2015, and matures in July of 2015.	-	25,000
Promissory note, unsecured, interest accredited at 6%, payable $7,020 per month until March of 2019.	-	419,238
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, 2014, and matures in April of 2016.	77,938	64,328
Promissory Note to former Officer/Director (See Note 8)	75,000	75,000
Promissory note to an unrelated party for $726,500, secured by all the assets of the Company including the stock of NCS, interest of 14%, and matures in December of 2015.	258,368	213,826
	$711,306	$1,097,392

As of December 31, 2014, $690,662 of the notes payable is short-term and $20,644 is long-term. As of March 31, 2015, $873,505 of the notes payable is short-term and $223,887 is long-term.

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, 2014. The line matures on March of 2015. As of December 31, 2014 and 2013, Rubicon had borrowed $200,000 on the line. This line of credit has been paid off in 2015 and has been closed.

As part of the notes payable the company signed in December 2012, the company paid $21,000 in financing related costs. These costs have been capitalized as of December 31, 2012 and will be amortized into interest expense using the interest method over the life of the note. The Company amortized $4,083 and $16,917 into interest expense for the year ended December 31, 2013 and 2014, respectively.

As part of the note payable the Company signed in December of 2012, the Company agreed to certain covenants. The covenants include, but are not limited to, the Company continuing in good standing and in compliance with all statutes, laws, ordinances and government rules and regulations; the Company delivering financial statements to the lender within specified time periods; the Company providing the lender access to the records of the Company upon request; and the Company paying its taxes on a timely basis. As of December 31, 2014 and March 31, 2015, the Company is in compliance with all the debt covenants.

Interest expense for the three months ended March 31, 2014 and 2015 was $29,272 and $8,697 respectively.

NOTE 11 – 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 2,000,000 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. Series A Convertible Preferred Stock may be converted at a rate of 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.

On January 15, 2015, the Company amended and restated its Series B Convertible Preferred Stock. Holders of Series B Convertible Preferred Stock shall have the right to thirty 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 one share 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 $0.25 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 $0.25 per Share of Preferred Stock.

2014

In the first quarter of 2014, the Company began conducting a private placement offering of up to $1,500,000 of units of securities at $0.15 per unit. Each unit consists of one share of common stock and one five-year warrant to purchase one share of common stock at an exercise price of $0.25 per share. During the three months ended March 31, 2014, the Company sold 6,333,335 units for a total of $950,000.

In the second quarter of 2014, the Company continued conducting a private placement offering of up to $1,500,000 of units of securities at $0.15 per unit. Each unit consists of one share of common stock and one five-year warrant to purchase one share of common stock at an exercise price of $0.25 per share. During the three months ended June 30, 2014, the Company sold 866,667 units for a total of $130,000.

In the second quarter of 2014, the Company issued 500,000 shares of common stock that were owed as of December 31, 2013.

In May of 2014, the Company reached an agreement with an officer/director to buyback 1,002,500 shares of common stock and 426,000 shares of series B preferred stock for $150,000. Of the purchase price, $75,000 was payable immediately and the other $75,000 is payable on or before March 31, 2015. Concurrent with the agreement the officer/director resigned as an officer and director of the Company. These shares have been cancelled.

In May of 2014, the Company received 200,000 shares of common stock for cancellation pursuant to the terms of a confidential settlement agreement with a former board member. These shares were cancelled immediately.

In 2014, 62,500 shares of Series A preferred stock was converted into 1,250,000 shares of common stock.

Table of Contents

In December of 2014, the Company conducted a private placement offering of up to $1,575,000 of units of securities at $0.60 per unit. Each unit consists of two shares of common stock and one five-year warrant to purchase one share of common stock at an exercise price of $0.50 per share. 271,167 units were sold for $162,700. As of December 31, 2014, the 542,334 shares were not issued and were shown as owed but not issued in these financial statements. In 2015, the shares were issued.

As of December 31, 2014, there were no series A preferred shares issued and outstanding, no series B preferred shares issued and outstanding, 24,503,193 common shares issued and outstanding, and 792,334 common shares owed but not issued.

2015

During three months ended March 31, 2015, 542,334 common shares that were owed as of December 31, 2014 were issued.

During the three months ended March 31, 2015, 1,500,000 shares of preferred stock series were issued for $200,000 in accrued salaries and $100,000 of accounts payable.

In February of 2015, the company settled litigation with the Bettingens whereby it agreed to pay $200,000 on or before April 27, 2015, another $300,000 for the purchase of 1.2 million shares of its common stock on or before June 15, 2015 and make monthly payments of $7,020 for the period from March 1, 2015 through March 1, 2019. The Company also agreed to pay for or provide two offices to each of the Bettingen's and grant a five-year warrant to purchase 1,000,000 shares of its common stock at $0.25 per share. The warrants were valued at $265,000 using the black-scholes pricing model.

As of March 31, 2015, there was no Series A preferred shares issued and outstanding, 1,500,000 Series B preferred shares issued and outstanding, 25,045,527 common shares issued and outstanding, and 250,000 common shares owed and not issued.

NOTE 12 – Warrants and options

Warrants

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

During the year ended December 31, 2013, the Company issued three-year warrants in private placement offerings as described in Note 11 above. All have an exercise price of $0.50 and expire in the year ended December 31, 2016.

During the year ended December 31, 2014, the Company issued five-year warrants in private placement offerings as described in Note 11 above. All have an exercise price of $0.25 and $0.50 and expire in the year ended December 31, 2019.

During the three months ended March 31, 2015, the company issued 1,000,000 warrants as described in Note 11. All have an exercise price of $0.25 and expire in the year ended December 31, 2020.

A summary of stock options and warrants as of December 31, 2014 and March 31, 2015 is as follows:

	Options	Weighted Average	Warrants	Weighted Average

		Exercise Price		Exercise Price
Outstanding as of 01/31/14:	-	$-	2,166,667	$0.50
Granted	-	-	7,147,169	0.26
Cancelled	-	-	-	-
Expired	-	-	-	-
Outstanding as of 12/31/14:	-	$-	9,637,836	$0.31
Granted	-	-	1,000,000	0.25
Cancelled	-	-	-	-
Expired	-	-	-	-
Outstanding as of 3/31/15:	-	$-	10,637,836	$0.30
Vested as of 3/31/15:	-	$-	10,637,836	$0.30

Table of Contents

NOTE 13 – Operating Segments
Rubicon's operating segments are evidence of its internal organization. The major segments are defined by the type of 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 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, 2015	2014
Revenue		
Brokerage services	$ 4,543,391	$ 5,223,114
	4,543,391	5,223,114
Expenses		
Brokerage services	4,409,158	4,988,209
Corporate	153,612	215,276
	4,562,770	5,203,485
Net income (loss)	$ (19,379)	$ 19,629

NOTE 14 – 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 $690,000 as of December 31, 2014. In February of 2015, this matter has been settled. See Note 11.

Wells notice:

During the year December 31, 2014, the Company received a Wells notice from the Financial Industry Regulatory Authority, Inc. (FINRA) regarding a preliminary determination to recommend disciplinary action against the Company for possible FINRA rules violations from prior years. A Wells notice is neither a formal allegation nor a finding of wrongdoing. The Company is unable to estimate how long the FINRA process will last or its ultimate outcome. As of December 31, 2014 and March 31, 2015, management believes that no accrual for penalties or potential settlements is justified. As of the date of this filing, Management is unable to calculate a reasonable estimate of how this will effect the financials statements.

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.

Table of Contents

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 $195,000 as of December 31, 2014 and March 31, 2015, 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

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. In May of 2013, the company entered into a long-term lease agreement for office space in Chicago, Illinois commencing on June 1, 2013 and ending on November 30, 2018. In April of 2014, the company entered into a long-term lease agreement for office space in New York, New York commencing April 15, 2014 and ending November 30, 2017. In June of 2014, the Company entered into a long-term lease agreement for office space in Memphis, Tennessee commencing on June 1, 2014 and ending on May 31, 2019. In November 2014, the company entered into a long term lease agreement in Boston, Massachusetts commencing on October 1, 2014 and ending September 30, 2016. The annual lease payments due pursuant to these agreements are as follows:

Year Ending December 31,	Amount
2015	$ 809,999
2016	688,455
2017	576,861
2018	153,260
2019	37,535
Total	$ 2,266,110

Rent expense is included in general and administrative expense and totaled $212,030 and $106,743 for the three months ended March 31, 2015 and 2014 respectively.

NOTE 15 - 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 March 31, 2015:

	Level 1	Level 2	Level 3	Fair Value
Cash	$671,180	$-	-	$671,180
Accounts receivable	-	1,552,685	-	1,552,685
Marketable securities	55,921	-	-	55,921
Accounts payable	-	277,435	-	277,435
Accrued expenses	-	1,060,712	-	1,060,712
Notes payable	-	1,097,392	-	1,097,392

The following table presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis as of December 31, 2014:

	Level 1	Level 2	Level 3	Fair Value
Cash	$1,892,546	$-	-	$1,892,546
Accounts receivable	-	1,302,255	-	1,302,255
Marketable securities	80,878	-	-	80,878
Accounts payable	-	636,210	-	636,210
Accrued expenses	-	1,763,937	-	1,763,937
Notes payable	-	711,306	-	711,306

NOTE 16 – 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 April 27, 2015, the Company received $135,000 in the form of a promissory note from a current stockholder. The note bears at 6% per annum and matured on June 15, 2015.

On May 18, 2015 the Company received $250,000 in the form of a promissory note from an unaffiliated third party. The note bears interest at 6% per annum and matures upon the earlier of (i) concurrent with the sale of 20% of the Company ownership interest in NCS, or (ii) June 30, 2015. In the event of default in repayment of this note, the Company agreed to issue the lender 2,500,000 shares of common stock as liquidated damages.

On May 14, 2015, NCS received $150,000 in the form of a promissory note. The note bears interest at 10% per annum and matures on May 13, 2017.

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," "exp "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 outcome of current FINRA enforcement actions;
- adverse outcomes of current or future arbitrations and litigation;
- our ability to repay our substantial debt obligations;
- 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;
- the impact of current, pending and future legislation (including the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act")), regulation (including capital, leverage and liquidity requirements), policies (including fiscal and monetary) and legal and regulatory actions in the United States ("U.S.") and worldwide;
- 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, 2014.

In this form 10-Q references to “Rubicon”, “the Company”, “we,” “us,” and “our” refer to Rubicon Financial Incorporated and wholly owned operating subsidiary, U.S. Financial Services, Inc. (doing business as Newport Coast Securities, Inc.)

Table of Contents

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, U.S. Financial Services, Inc. (doing business as Newport Coast Securities, Inc.), a FINRA/SEC registered broker dealer and Investment Advisor ("NCS" or "Newport") 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 stockholders 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 because DAC is dormant. When and if DAC is able to raise adequate capital, which is not anticipated to be within the next twelve months, DAC will commence the registration process.

Results of Operations

The following tables summarize selected items from the statement of operations for the three months ended March 31, 2015 and 2014.

Revenue:

	Three Months Ended March 31,		Increase/(Decrease)	
	2015	2014	$	%
Consolidated				
Revenue	$4,543,391	$5,223,114	$(679,723)	(13%)
Operating expenses	4,554,986	5,174,413	(619,427)	(12%)
Net operating income (loss)	$(11,595)	$48,701	$(60,296)	(124%)

Our overall revenues decreased 13% during the three months ended March 31, 2015 over the same period in 2014. The revenue decrease for the period is the result of restructuring NCS to focus on profitability and efficiency of operations.

During the three months ended March 31, 2015, our operating expenses decreased by 12%, primarily as the result of significant decreases in executive compensation and direct costs. Due to the almost equal decrease in revenues and expenses, we were able to minimize our operating loss for the three months ended March 31, 2015 to $11,595, compared to a net operating income of $48,701 for the same quarter of 2014.

Sources of Revenues:

	Three Months Ended March 31,		Increase/(Decrease)	
	2015	2014	$	%
Commissions	$2,106,431	$2,002,064	$104,367	5%
Investment Banking Fees	1,428,087	1,826,320	(398,233)	(22%)
Selling Concessions:				
Insurance	180,692	306,625	(125,933)	(41%)

Mutual Funds	89,450	303,686	(214,236)	(71%)
Managed fee accounts	359,557	255,631	103,926	41%
Other income	379,174	528,788	(149,614)	(28%)

Commissions increased for the three months ending March 31, 2015 compared to the same quarter of 2014 due to the additions of the New York, Boston and Chicago offices. Managed fee account income also increased by 41%. Decreases in investment banking fee, selling concessions and other income were seasonal.

Table of Contents

Selling and Administrative Expenses:

	Three Months Ended March 31,		Increase/(Decrease)	
	2015	2014	$	%
Direct costs	$ 3,303,693	$ 4,009,014	$ (705,321)	(18%)
Professional fees	91,698	85,153	6,545	8%
Executive compensation	105,100	179,259	(74,159)	(41%)
General expenses	1,046,946	895,888	151,058	17%
Depreciation	7,549	5,099	2,450	48%
Operating expenses	$ 4,554,986	$ 5,174,413	$ (619,427)	(12%)

Operating expenses decreased by 12% for the first quarter of 2015 compared to the same period of 2014. The substantial decrease in executive compensation (41%) was offset by the slight increases in professional fees and general expenses.

Our direct costs, which decreased by 18%, have a direct relationship to our revenue and will increase or decrease with changes in revenue.

Satisfaction of our cash obligations for the next 12 months.

As of March 31, 2015 we had available cash of $481,191. We believe these funds will help support existing operational costs and along with revenues from operations will not be sufficient to satisfy our working capital requirements through fiscal 2015. We will need to raise additional funds through either equity, including convertible securities such as preferred stock or debentures, or debt financing.

We do not anticipate performing any additional significant product research and development under our plan of operation 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, and Richard Onesto, our CFO. 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. As of March 31, 2015, we employed three executives and twenty-one 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, 2015 compared to December 31, 2014.

	March 31, 2015	December 31, 2014	Increase / (Decrease) $	%
Current Assets	$ 2,387,166	$ 3,377,204	$ (990,038)	(29%)
Current Liabilities	2,406,652	4,175,809	(1,769,157)	(42%)
Working Capital	$ (19,486)	$ (798,605)	$ (779,119)	(98%)

We may continue to experience net negative cash flows from operations, pending receipt of additional revenues.

We believe the $481,191 in un-restricted cash on hand at March 31, 2015 will not be sufficient to sustain operations through fiscal 2015. We will 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.

In November of 2012, we borrowed $726,500 pursuant to a secured promissory note, which is secured by all of our assets, including the stock in NCS. This note contains provisions limited our ability to borrow additional funds and has substantive financial covenants. Subsequent to obtaining the note, we have borrowed significant additional funds on an unsecured basis. We did not obtain the secured lender's consent when we obtained the new loans, which may be considered a technical default on the secured loan. In addition, as of March 31, 2015 we had approximately $873,505 in current debt, which requires us to seek additional equity or debt financing to repay our debt obligations.

We anticipate continuing to generate operating losses over the next twelve months. Our 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 the financial services industry.

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.

Critical Accounting Policies and Estimates

Revenue Recognition: We recognize 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, 2014 and 2013, 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.

Impairment of long-lived assets: We review our 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, we 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. We recognized no impairment losses during the years ended December 31, 2014 and 2013.

Credit Risks: Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At March 31, 2015, we had approximately $25,554 in excess of FDIC insured limits.

Table of Contents

Recent Accounting Developments

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer, Joseph Mangiapane, Jr. and Richard Onesto, 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 and Mr. Onesto concluded that our disclosure controls and procedures are effective in timely altering them to material information relating to us (including our consolidated subsidiaries) required to be included in our periodic SEC filings.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal controls over financial reporting that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

Internal control systems, no matter how well designed and operated, have inherent limitations. Therefore, even a system that is determined to be effective cannot provide absolute assurance that all control issues have been detected or prevented. Our systems of internal controls are designed to provide reasonable assurance with respect to financial statement preparation and presentation.

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 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 or brokers that would otherwise be the primary defendants in such cases are bankrupt or in financial distress or no longer registered with us.

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.

Over the last several years, the level of litigation and investigatory activity (both formal and informal) by government and self-regulatory agencies has increased materially in the financial services industry. As a result, we expect that we may become the subject of increased claims for damages and other relief and, while we have has identified below certain proceedings that we believe to be material, individually or collectively, there can be no assurance that additional material losses will not be incurred from claims that have not yet been asserted or are not yet determined to be material.

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.

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.

In February of 2015 we settled the case with the Bettingens whereby we agreed to pay the Bettingens $200,000 on or before April 27, 2015, another $300,000 for the purchase of 1.2 million shares of our common stock owned by the Bettingens on or before June 15, 2015 and make monthly payments of $7,020 to the Bettingens for the period from March 1, 2015 through March 1, 2019. We also agreed to pay for or provide two offices to each of the Bettingen's and grant the Bettingens a five year warrant to purchase 1 million shares of our common stock at $0.25 per share.

NCS FINRA Wells Notices/Enforcement Action

On January 6, 2014, NCS received a Wells notice from the Financial Industry Regulatory Authority, Inc. ("FINRA") regarding a preliminary determination to recommend disciplinary action against NCS for possible Securities Exchange Act of 1934, NASD and FINRA rule violations; including, churning and excessively trading client accounts, recommending unsuitable transactions, failure to supervise certain registered representatives and other NASD rules of conduct. A Wells notice is neither a formal allegation nor a finding of wrongdoing.

On April 17, 2014, NCS received an additional Wells notice from FINRA regarding a preliminary determination to recommend disciplinary action against Newport for possible violations of NASD Conduct Rules 3010 and 3040(c) and FINRA Rule 2010.

We are unable to estimate with confidence or certainty how long the FINRA process will last or its ultimate outcome, including whether Newport will reach a settlement with FINRA on either or both of the above stated matters and, if so, the amount of any related monetary fine and other possible remedies.

Further, on July 28, 2014, the FINRA Department of Enforcement filed an action against Newport Coast Securities, Inc. and four of its former brokers and one current broker for churning customer accounts. FINRA Case # 2012030564701. In the complaint, FINRA alleges that NCS and the five brokers excessively traded and churned 24 customer accounts from September 2008 through May 2013. The alleged misconduct cited in the complaint includes: cost-to-equity ratios were over 100%; turnover rates were often over 100; extraordinary amounts of in and out trading; highly margined accounts; accounts highly concentrated in a single security; commissions exceeding 3% and sometimes 4%; solicited trades inaccurately characterized as unsolicited; and accounts exhibited large losses. The Company intends to vigorously defend these chargers; however, is unable to estimate how long the FINRA process will last or its ultimate outcome.

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 $195,000 as of December 31, 2014 and March 31, 2015, 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.

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, 2014 to which reference is made herein.

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

On January 15, 2015, we issued 1,000,000 shares of Amended and Restated Series B Convertible Preferred Stock to our CEO/President and sole director, Joseph Mangiapane, Jr., for $200,000 in accrued salary owed to Mr. Mangiapane.

On January 15, 2015, we issued 500,000 shares of Amended and Restated Series B Convertible Preferred Stock to our securities counsel, DeMint Law, PLLC, for $100,000 in accrued legal fees owed to DeMint Law, PLLC.

All of the above-described issuances were exempt from registration pursuant to Section 4(a)(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

In May of 2014, we reached an agreement with Kathleen McPherson, a former director, to purchase 1,002,500 shares of common stock and 426,000 shares of series B preferred stock for $150,000. Of the purchase price, $75,000 was payable immediately and the other $75,000 was payable on or before March 31, 2015. We believe Ms. McPherson breached the terms of the settlement agreement and as a result did not make the second payment. Concurrent with the agreement the officer/director resigned as an officer and director of the Company.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Table of Contents

Item 6. Exhibits.

			Incorporated by reference			
Exhibit	Exhibit Description	Filed herewith	Form	Period ending	Exhibit	Filing 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
4.4	Amended and Restated Certificate of Designation for Series B Convertible Preferred Stock		8-K		4.1	01/21/15
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, 2012		8-K		10.2	12/14/12
10.6	Series B Preferred Stock Purchase Agreement with Kathleen McPherson		10-K	12/31/13	10.6	04/14/14
10.7	Spagus Capital Partners $300,000 Note		8-K		10.1	01/21/15
10.8	$25,000 Convertible Promissory Note Dated March 3, 2015		10-K	12/31/14	10.8	06/05/15

10.9	$135,000 Promissory Note Dated April 27, 2015		10-K	12/31/14	10.9	06/05/15
10.10	$250,000 Promissory Note Dated May 18, 2015		10-K	12/31/14	10.10	06/05/15
31.1	Certification of Joseph Mangiapane, Jr., Chief Executive Officer and Principal Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act	X				
31.2	Certification of Richard Onesto, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act	X				
32.1	Certification of Joseph Mangiapane, Jr., Chief Executive Officer a, pursuant to Section 906 of the Sarbanes-Oxley Act	X				
32.2	Certification of Richard Onesto, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act	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.

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: June 26, 2015