

RUBICON FINANCIAL INC
Form 10-Q
August 23, 2010

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 June 30, 2010

or

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

Commission File Number 000-29315

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

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

(949) 798-7220
(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

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to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

The number of shares of Common Stock, \$0.001 par value, outstanding on August 19, 2010, was 15,098,023, which includes 1,000,000 shares that have been authorized but unissued.

Table of Contents

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1.	<u>FINANCIAL STATEMENTS</u>	3
Item 2.	<u>MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	18
Item 3.	<u>MARKET RISK</u>	27
Item 4T.	<u>CONTROLS AND PROCEDURES</u>	27

PART II - OTHER INFORMATION

Item 1.	<u>LEGAL PROCEEDINGS</u>	28
Item 1A.	<u>RISK FACTORS</u>	29
	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	29
Item 2.	<u>PROCEEDS</u>	29
Item 3.	<u>DEFAULTS UPON SENIOR SECURITIES</u>	30
Item 4.	<u>(REMOVED AND RESERVED)</u>	30
Item 5.	<u>OTHER INFORMATION</u>	30
Item 6.	<u>EXHIBITS</u>	31

	<u>SIGNATURES</u>	32
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Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Rubicon Financial Incorporated
Condensed Consolidated Balance Sheets

	June 30, 2010 (Unaudited)	December 31, 2009 Audited
Assets		
Current assets:		
Cash	\$855,215	\$746,885
Cash – restricted	311,722	311,670
Marketable securities	354,115	508,428
Accounts receivable	531,476	683,412
Prepaid expenses	77,880	123,402
Notes receivable	115,239	124,202
Other current assets	12,530	12,358
Total current assets	2,258,177	2,510,357
Fixed assets, net of accumulated depreciation of \$207,891 and \$186,033, respectively	77,073	84,213
Other assets:		
Contract advances	96,430	154,445
Deposits	11,917	39,471
Intangible assets – customer list	2,439,671	2,439,671
Total other assets	2,548,018	2,633,587
Total assets	\$4,883,268	\$5,228,157
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$342,456	\$525,896
Accrued expenses	1,166,438	1,076,983
Investment obligation	487,000	487,000
Deferred revenue	74,014	74,014
Line of credit	91,522	100,000
Note payable	118,500	42,000
Notes payable – related party	5,213	5,213
Total current liabilities	2,285,143	2,311,106
Stockholders' equity		
Preferred stock, \$0.001 par value, 9,000,000 shares authorized, no shares issued and outstanding as of June 30, 2010 and December 31, 2009, respectively		
Preferred series "A", \$0.001 par value, 1,000,000 shares authorized, 62,500 shares issued and outstanding as of June 30, 2010 and December 31, 2009, respectively	63	63
Common stock, \$0.001 par value, 50,000,000 shares		

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authorized, 14,098,023 and 14,098,023 shares issued and outstanding as of June 30, 2010 and December 31, 2009, respectively	14,097	14,097
Common stock owed but not issued, 1,000,000 shares	1,000	-
Additional paid in capital	18,312,349	18,113,350
Other comprehensive losses	(951,927)	(814,624)
Accumulated (deficit)	(14,777,457)	(14,395,835)
Total stockholders' equity	2,598,125	2,917,051
Total liabilities and stockholders' equity	\$4,883,268	\$5,228,157

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 June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
Revenue	\$3,526,960	\$3,113,005	\$7,036,750	\$5,434,770
Expenses:				
Direct costs	3,003,513	2,028,550	5,865,904	3,820,730
Consulting	56,244	375	113,859	375
Professional fees	109,818	61,155	338,204	148,486
Executive compensation	139,000	233,848	230,500	486,250
General and administrative expenses	466,280	596,485	855,939	924,640
Depreciation and amortization	8,528	13,035	21,858	25,856
Total expenses	3,783,383	2,933,448	7,426,264	5,406,337
Net operating income (loss)	(256,423)	179,557	(389,514)	28,433
Other income (expense):				
Interest expense	(3,948)	(3,550)	(9,483)	(7,672)
Interest income	4,890	2,052	8,274	9,145
Other income	1,287	1,546	9,098	16,325
Total other income (expense)	2,229	48	7,889	17,798
Net income (loss)	(254,194)	179,605	(381,625)	46,231
Other comprehensive gain (loss)	83,083	(232,093)	(137,303)	(434,524)
Total comprehensive (loss)	\$(171,111)	\$(52,488)	\$(518,928)	\$(388,293)
Weighted average number of common shares outstanding - basic and fully diluted	14,098,023	12,056,324	14,098,023	12,056,324
Net income (loss) per share - basic and fully diluted	\$(0.02)	\$0.01	\$(0.03)	\$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 Six Months Ended	
	June 30,	
	2010	2009
Cash flows from operating activities		
Net (loss) income	\$(381,625)	\$46,231
Adjustments to reconcile net (loss) to net cash (used) in operating activities:		
Depreciation expense	21,858	25,856
Shares issued for compensation and services	150,000	30,000
Amortization of equity based compensation	-	216,554
Changes in operating assets and liabilities		
Accounts receivable	151,936	(150,121)
Prepaid expenses	45,522	(6,896)
Notes receivable	8,963	-
Accrued interest receivable	(172)	(3,726)
Deposits and other assets	85,569	8,000
Accounts payable and accrued liabilities	(45,258)	93,892
Deferred revenue	-	(43,372)
Net cash (used) by operating activities	36,793	216,418
Cash flows from investing activities		
Purchase of fixed assets	(14,718)	(9,398)
Proceeds from sale of investments	18,282	-
Purchase of investments	-	(125,756)
Net cash (used) by investing activities	3,564	(135,154)
Cash flows from financing activities		
Proceeds from line of credit	(8,478)	99,550
Payments on capital leases	-	(5,097)
Proceeds from note payable	76,500	-
Net cash provided by financing activities	68,022	94,453
Net (decrease) increase in cash	108,379	175,717
Cash – beginning	1,058,558	414,228
Cash – ending	\$1,166,937	\$589,945
Supplemental disclosure		
Interest paid	\$9,483	\$7,672
Income taxes paid	\$-	\$-
Non-cash financing activities:		
Shares issued for compensation and services	\$150,000	\$30,000
Accounts payable satisfied with stock	\$50,000	\$-

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

Table of Contents

RUBICON FINANCIAL INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1- 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, 2009.

Principles of Consolidation

The financial statements include those of: Rubicon Financial Incorporated (“Rubicon”); and its wholly owned subsidiaries, Rubicon Financial Insurance Services, Inc. (“RFIS”), Rubicon Real Estate and Mortgages, Inc. (“RREM”), Newport Coast Securities, Inc. (“NCS”). All significant inter-company transactions and balances have been eliminated. RBCF and its subsidiaries are collectively referred to herein as the “Company”.

Use of Estimates

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

Cash Equivalents

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

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:

Table of Contents

Equipment	3-5 years
Furniture	7 years

The Company reviews the carrying value of property, plant, and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there were no impairments needed as of June 30, 2010.

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 six month ended June 30, 2010.

Revenue Recognition

The Company recognizes revenue in accordance with ASC subtopic 605-10 (formerly SEC Staff Accounting Bulletin No. 104 and 13A, "Revenue Recognition") net of expected cancellations and allowances. As of June 30, 2010 and December 31, 2009, the Company evaluated evidence of cancellation in order to make a reliable estimate and determined there were no material cancellations during the years and therefore no allowances has been made.

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

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

Table of Contents

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 (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 June 30, 2010 and December 31, 2009 due to their short-term nature.

Loss per Common Share

Net loss per share is computed in accordance with ASC subtopic 260-10. The Company presents basic loss per share ("EPS") and diluted EPS on the face of consolidated statements of operations. Basic EPS is computed by dividing reported earnings by the weighted average shares outstanding. Diluted EPS is computed by adding to the weighted average shares the dilutive effect if stock options and warrants were exercised into common stock. For the years ended December 31, 2009 and the six months ended June 30, 2010, the denominator in the diluted EPS computation is the same as the denominator for basic EPS due to the anti-dilutive effect of the warrants and stock options on the Company's net loss.

Table of Contents

Recent Pronouncements

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

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

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

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

Table of Contents

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

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

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

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

Table of Contents

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

Year-end

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

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. 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 obtain additional financing or sale of its common stock as may be required and ultimately to attain profitability.

NOTE 3 – Restricted Cash

The Company’s wholly owned subsidiary, Newport Coast Securities, Inc. (formerly Grant Bettingen, Inc.)(“NCS”), has entered into securities clearing agreements with Penson Financial Services, Inc. and Wedbush, Morgan Securities, Inc. 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 June 30, 2010, the Company maintained deposits of \$250,405 and \$61,317, respectively.

NOTE 4 - Marketable securities

Investments in marketable securities primarily include shares of common stock in various companies held as available-for-sale and carried at fair market value, with the unrealized gains and losses, included in the determination of comprehensive income and reported in shareholders’ equity. On November 27, 2007, Rubicon entered into a Share Purchase Agreement with American International Industries, Inc. (“AMIN”), whereby Rubicon agreed to issue 1,000,000 shares of its common stock in exchange for 200,000 shares of AMIN and \$1,000,000 in cash. Rubicon recorded marketable securities of \$1,000,000, representing the fair market value of AMIN’s common stock (\$5 per share) on the date of agreement. On August 8, 2008 AMIN issued a stock dividend equal to 40,000 shares of their common stock. The fair value of the dividend was \$121,200. In addition to the AMIN securities, the Company holds various other securities as available-for-sale. On June 30, 2010, the fair value of these securities was \$354,115 and there were \$951,927 of unrealized losses associated with them.

Table of Contents

NOTE 5 – Notes receivable

On April 18, 2008, Rubicon amended its \$20,000 note receivable with its RREM subsidiary, whereby Joel Newman, the former President of RREM accepted full liability for the principal balance of \$20,000. The amended terms require interest to accrue at a rate of 6% per annum and mature on April 18, 2009. In addition, Mr. Newman owes \$5,000 in the form of a demand note, which accrues interest at a rate of 6% per annum. As of June 18, 2010, Mr. Newman's principal balances totaled \$24,202 with accrued interest receivable of \$3,537. On June 18, 2010, Rubicon issued a note receivable in the amount of \$27,739 to Joel Newman to replace the notes and accrued interest. Mr. Newman paid \$12,500 on June 18, 2010, leaving a balance of \$15,239 which accrues interest at a rate of 6% per annum. As of June 30, 2010, Mr. Newman's principal balance was \$15,239 with accrued interest receivable of \$30.

On June 3, 2008, Rubicon issued a note receivable in the amount of \$100,000 to Marc Riviello pursuant to the "Stock Repurchase and Settlement Agreement". The note accrues interest at a rate of 6% per annum and was due June 1, 2009. As of June 30, 2010, the principal balance was \$100,000 and accrued interest receivable totaled \$12,500. On June 28, 2010, Rubicon received a judgment against Mr. Riviello in the total amount of \$141,037.17 and is in the process of collecting on the judgment.

NOTE 6 – Notes payable

A summary of current debt consists of the following:

	June 30, 2010	December 31, 2009
Demand note payable to an officer and shareholder for \$4,500, unsecured, non-interest bearing and due on demand	\$ 5,213	\$ 5,213
Various note payables	118,500	-0-
Line of credit, secured by cash deposit, interest rate of 2.25%	91,522	100,000
	\$ 215,235	\$ 105,213

Interest expense for the six months ended June 30, 2010 and 2009 was \$9,483 and \$7,672, respectively.

NOTE 7 – Stockholders' equity

Common Stock

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

Table of Contents

Preferred Stock

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

8% Series A Convertible Preferred Stock

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

2010 Activity

In February of 2010, the Company issued a convertible term note in the amount of \$100,000. The note bears interest of 10% and is due on January 31, 2011. Further, the note is convertible into shares of the Company's common stock, at the option of the holder and subject to a 15 day redemption period by the Company, at any time after August 1, 2010 at a rate of 50% of the 22-day trading average of the Company's common stock.

During the six months ended June 30, 2010, the Company authorized 750,000 shares of its common stock as compensation in consideration for services. The shares were valued at fair market value and an expense of \$150,000 was recorded. As of June 30, 2010, these shares have not been issued and are therefore shown as common stock owed but not issued.

During the six months ended June 30, 2010, the Company authorized 250,000 shares of its common stock in satisfaction of \$50,000 of accounts payable. As of June 30, 2010, these shares have not been issued and are therefore shown as common stock owed but not issued.

NOTE 8 – Warrants and options

Warrants

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

Options

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

Table of Contents

In 2007, the Company granted options to purchase up to 300,000 shares of its common stock pursuant to its employment agreement between RFIS, its wholly owned subsidiary, and its executive. The options vest at the rate of one option for every \$0.50 of net income generated by RFIS at the end of each fiscal year, based upon the RFIS's audited financial statements. As of June 30, 2010, no options had been earned. Once earned, the holder will have the right to purchase up to 300,000 shares of the Company's common stock \$2.45 per share.

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

A summary of stock options and warrants as of June 30, 2010 is as follows:

	Options	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding as of 01/01/10	1,300,000	\$ 1.33	10,000	\$ 0.30
Granted	-	-	-	-
Cancelled	-	-	-	-
Exercised	-	-	-	-
Outstanding as of 06/30/10	1,300,000	\$ 1.33	10,000	\$ 0.30
Vested as of 06/30/10	1,000,000	\$ 1.00	10,000	\$ 0.30

NOTE 9 – Operating Segments

Rubicon's operating segments are evidence of its internal organization. The major segments are defined by the type of financial services offered. Each segment operates in a distinct industry: brokerage services (NCS), mortgage and real estate services (RREM) and personal and commercial insurance services (RFIS). DAC is currently inactive and not considered an operating segment of Rubicon. Further, in June of 2010, RREM filed a certificate of dissolution with the California Secretary of State, which is pending recordation. Where applicable, "Corporate" represents items necessary to reconcile to the consolidated financial statements, which generally include corporate activity and eliminations.

Net revenues as shown below represent commissions earned for each segment. Intercompany revenues have been eliminated and are immaterial for separate disclosure. Rubicon evaluates performance of individual operating segments based on pre-tax income (loss). On a consolidated basis, this amount represents total comprehensive loss as shown in the unaudited condensed consolidated statement of operations. Reconciling items represent corporate costs that are not allocated to the operating segments including; stock-based compensation expense and intercompany eliminations.

Table of Contents

	Six Months Ended	
	June 30,	
	2010	2009
Net Revenue		
Insurance services	\$ 125,790	\$ 312,643
Mortgage services	-0-	13,113
Brokerage services(1)	6,910,960	5,109,014
	7,036,750	5,434,770
Expenses		
Insurance services	135,958	267,944
Mortgage services	4,876	14,191
Brokerage services(1)	6,829,888	4,500,761
Corporate	447,653	605,643
	7,418,375	5,388,539
Net income (loss)	\$ (381,625)	\$ 46,231

In March of 2010, RFIS sold its trucking book of business to an unaffiliated third party in exchange for a thirty percent (30%) commission on the book for a period of twenty-four months from the closing date. RFIS received a \$15,000 down payment towards the purchased, which will be included in the total purchase price of the book of business.

NOTE 10 – Net capital requirement

The Company's wholly owned subsidiary, NCS, is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital, as defined, equal to the greater of \$100,000 or 6 2/3% of aggregate debt balances, as defined in the SEC's Reserve Requirement Rule (Rule 15c3-3). At June 30, 2010, GBI had net capital of \$588,004 and was \$488,004 in excess of its required net capital of \$100,000.

NOTE 11 – Commitments and Contingencies

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. These two cases were consolidated. On July 29, 2010, the Bettingens suit was dismissed. This case is in the complex litigation court and is still in the discovery stage.

Table of Contents

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

Year Ending December 31,	Amount
2010	\$ 125,880
2011	188,820
2012	193,016
2013	199,310
2014	205,604
2015	104,900
Total	\$ 1,017,530

NOTE 12 – Intangible Assets – customer lists

During the year ended December 31, 2008, the Company consummated the acquisition of 100% of the outstanding common shares of NCS. As a result of the acquisition, Rubicon identified intangible assets in the NCS customer lists that were valued at \$2,403,671. In addition, during the year ended December 31, 2008, RFIS purchased a customer list for \$36,000 in order to seek insurance business from the commercial trucking industry. Both intangible assets were evaluated for impairment as of December 31, 2009 and June 30, 2010 and management determined that no impairment was needed. Total intangible assets as of December 31, 2009 and June 30, 2010 were \$2,439,671.

NOTE 13 – Subsequent Events

Management has evaluated all events and transactions that have occurred subsequent to the balance sheet date and has determined that there are no material events which have occurred as of August 20, 2010, that would be deemed significant or require recognition or additional disclosure.

Table of Contents

FORWARD-LOOKING STATEMENTS

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

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

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

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

Table of Contents

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, 2009.

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

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

Overview of Current Operations

We are a publicly-traded financial service holding company with three wholly-owned operating subsidiaries: (i) Newport Coast Securities, Inc. (“NCS”) a private brokerage firm registered with the Financial Industry Regulatory Authority (“FINRA”) providing retail brokerage services and investment banking; (ii) Rubicon Financial Insurance Services, Inc. (“RFIS”), a full service insurance agency offering personal lines, life and commercial insurance products to individuals and companies primarily in California; and (iii) Rubicon Real Estate and Mortgages, Inc. (“RREM”), which provided professional assistance in the fields of residential and commercial real estate and mortgage loans in California. In June of 2010, RREM filed a certificate of dissolution with the California Secretary of State, which is pending recordation.

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 and the record date will be set as the 10th day following effectiveness of the registration statement. As of the date of this report, the Form S-1 has not been filed.

Table of Contents

Overview of Financial Services

Economic Conditions

Our revenues are derived primarily from managed investment portfolios with the majority of our assets under management being located within the United States. Our revenues depend largely on the total value and composition of assets under our management. Accordingly, fluctuations in financial markets and in the composition of assets affect our revenues and results of operations. The significant downturn in the financial and real estate markets during 2008, 2009 and the first half of 2010 has had a material effect on investor returns and real property values. Though we have not experienced significant declines in our brokerage services, the impact to our real estate services has been considerable. In response, we have implemented measures to reduce overall operating costs through the reduction of staff and administrative expenses. Although we have not made any fundamental changes to our business model like many other financial service companies, as part of our long term growth strategy, we continually evaluate our existing portfolio of businesses as well as new business opportunities to ensure we are investing in those businesses with the largest, most profitable, growth potential. In response to the current market conditions, in June of 2010, RREM filed a certificate of dissolution with the California Secretary of State, which is pending recordation.

We have established our headquarters in Orange County, California to capitalize on the perceived large and affluent demographic base for our products in the financial services industry. The types of financial services we offer are: insurance, both personal and commercial; mortgage loan and real estate services, both residential and commercial; and retail brokerage services, securities market making, as well as investment banking services for small to mid-sized companies. Each subsidiary providing these services is an individually licensed corporation doing business under the parent holding company, which is intended to allow us to become a unique, single-source, financial services provider.

In March of 2009, we executed a non-binding letter of intent to acquire 100% of 1000 BARS, Inc., a private Nevada corporation focused on the preservation of the long-term value of assets through buying and selling strategies of physical precious metals, specializing in 1000 oz bars of silver. 1000 BARS has also developed commodity market strategies for the owners of physical bars of silver. Completion of this acquisition has been stalled due to the global economic recession and our desire to focus on our core services. However, when and if the market begins to rebound we will readdress this acquisition.

Table of Contents

Results of Operations

The following tables summarize selected items from the statement of operations for the three and six months ended June 30, 2010 and 2009.

Revenue:

	Three Months Ended			Six Months Ended		
	June 30,		%	June 30,		%
	2010	2009	Change	2010	2009	Change
Consolidated						
Revenue	\$3,526,960	\$3,113,005	13 %	\$7,036,750	\$5,434,770	29 %
Operating expenses	\$3,783,383	\$2,933,448	32 %	\$7,426,264	\$5,406,337	39 %
Net operating income (loss)	\$(256,423)	\$179,557	-	\$(389,514)	\$28,433	-

Our revenues increased 13% and 29% during the three and six months ended June 30, 2010, respectively, over the same periods of 2009. The increase in revenues is primarily a result of our continued focus on providing alternative investment products through NCS and the recruitment of additional registered representatives.

During the three and six months ended June 30, 2010 our operating expenses increased by 32% and 39%, respectively, primarily a result of increased direct costs, consulting and professional fees.

Revenue by Segment

	Three Months Ended			Six Months Ended		
	June 30,		%	June 30,		%
	2010	2009	Change	2010	2009	Change
Revenue						
Brokerage services	\$3,486,354	\$2,936,996	19 %	\$6,910,960	\$5,109,014	35 %
Insurance services	40,606	162,896	(75 %)	125,790	312,643	(60 %)
Mortgage services	-	13,113	-	-	13,113	-
Total revenue	\$3,526,960	\$3,113,005	13 %	\$7,036,750	\$5,434,770	39 %

Brokerage Services: NCS represents our cornerstone of services and has contributed in excess of 98% of our total revenues for the three and six months ended June 30, 2010. Revenue for the second quarter of 2010 was \$3,486,354 compared to \$2,936,996 for the same period of 2009, an increase of 19%. In addition, revenues for the six months ended June 30, 2010 increased 35% to \$6,910,960, compared to \$5,109,014 for the six months ended June 30, 2009.

Table of Contents

Insurance Services: RFIS experienced a decrease of 75% and 60% in revenues from insurance services for the first and second quarters of 2010, primarily as the result of the reduction of its commercial trucking as a line of business. In March of 2010 RFIS sold its commercial trucking business, which has had a substantial effect on revenues for the six months ended June 30, 2010.

Real Estate and Mortgage Services: The current economic conditions of the real estate market have limited RREM's ability to generate revenue on the sales of residential real estate and other services. RREM was dormant during the first half of 2010 and as a result, in June of 2010 we filed a certificate of dissolution for RREM with the California Secretary of State.

Selling and Administrative Expenses:

	Three Months Ended			Six Months Ended				
	June 30,		% Change	June 30,		% Change		
	2010	2009			2010	2009		
Direct costs	\$3,003,513	\$2,028,550	48	%	\$5,865,904	\$3,820,730	54	%
Consulting	56,244	375	-		113,859	375	-	
Professional fees	109,818	61,155	80	%	338,204	148,486	128	%
Executive compensation	139,000	233,848	(41	%)	230,500	486,250	(53	%)
General expenses	466,280	596,485	(5	%)	855,939	924,640	3	%
Depreciation and amortization	8,528	13,035	(35	%)	21,858	25,856	(15	%)
Operating expenses	\$3,783,383	\$2,933,448	32	%	\$7,426,264	\$5,406,337	39	%

Operating expenses increased 32% and 39% overall for the three and six months ended June 30, 2010 compared to the same periods of 2009. The most notable change is that of direct costs (increases of 48% and 54%) and professional fees (increases of 80% and 128%). Our direct costs are attributable to NCS and primarily consist of commissions and fees paid on trading activities. Our direct costs have a direct relationship to our revenue and are anticipated to increase or decrease with changes in revenue.

Expenses by Segment

NCS:

	Three Months Ended			Six Months Ended				
	June 30,		% Change	June 30,		% Change		
	2010	2009			2010	2009		
Brokerage services								
Direct costs	\$2,989,858	\$1,979,141	51	%	\$5,832,327	\$3,711,188	57	%
Consulting	-	-	-		-	-	-	
Professional fees	50,547	17,840	183	%	251,683	27,110	828	%
Executive compensation	62,000	51,071	21	%	113,000	110,696	2	%
General expenses	320,389	378,330	11	%	624,216	643,602	13	%
Depreciation	4,102	4,176	(2	%)	8,662	8,165	6	%
Operating expenses	\$3,374,381	\$2,430,558	43	%	\$6,829,888	\$4,500,761	54	%

Table of Contents

During the second quarter of 2010 NCS's direct costs increased 51% over the same quarter of 2009. These same costs increased 57% for the six months ended June 30, 2010 compared to the same six months ended June 30, 2009. Direct costs are typically proportional to increases in revenue, however may fluctuate from time to time based upon the proportion of retail commissions versus direct participation program and investment banking revenues generated by the firm.

In addition, during the first half of 2010 NCS incurred \$251,683 in professional fees, compared to only \$27,110 for the same period in 2009. This was the result in increased legal fees associated with current litigation and arbitration claims. We anticipate these fees to be reduced once these claims are settled or ended.

RFIS:

	Three Months Ended			Six Months Ended		
	June 30, 2010	June 30, 2009	% Change	June 30, 2010	June 30, 2009	% Change
Insurance services						
Direct costs	\$13,655	\$38,263	(64 %)	\$33,577	\$98,396	(66 %)
Consulting	7,159	375	-	12,259	375	-
Professional fees	-	2,540	-	-	4,396	-
Executive compensation	15,000	15,000	-	22,500	30,000	(25 %)
General expenses	21,613	69,870	(69 %)	67,293	134,448	(50 %)
Depreciation	164	164	-	329	329	-
Operating expenses	\$57,591	\$126,212	(54 %)	\$135,958	\$267,944	(49 %)

During the first half of 2010, RFIS reduced direct costs, primarily commissions on policies written, and general expenses by 64% and 50%, respectively. RFIS has transitioned out of the trucking line of business and reducing staffing in an attempt to streamline operations.

RREM:

	Three Months Ended			Six Months Ended		
	June 30, 2010	June 30, 2009	% Change	June 30, 2010	June 30, 2009	% Change
Mortgage services						
Direct costs	\$-	\$11,146	-	\$-	\$11,146	-
Consulting	-	-	-	-	-	-
Professional fees	-	-	-	-	-	-
Executive compensation	-	-	-	-	-	-
General expenses	4,876	1,785	173 %	4,876	2,593	88 %
Depreciation	-	240	-	-	452	-
Operating expenses	\$4,876	\$13,171	(63 %)	\$4,876	\$14,191	(66 %)

In our efforts to mitigate potential losses arising from the expending of resources in an economically challenged environment, we have redirected resources towards endeavors with a greater potential of economic success. In June of 2010 we filed a certificate of dissolution for RREM with the California Secretary of State and currently do not intend to pursue business in the real estate sector.

Table of Contents

Other income and (expense)

	Three Months Ended			Six Months Ended		
	June 30,		%	June 30,		%
	2010	2009	Change	2010	2009	Change
Consolidated						
Interest income	\$4,890	\$2,052	138 %	\$8,274	\$9,145	(10 %)
Interest (expense)	(3,948)	(3,550)	11 %	(9,483)	(7,672)	24 %
Other income	1,287	1,546	(17 %)	9,098	16,325	(44 %)

Other income and expense consists of interest earned and expenses, and rental income from sub-lease of facilities. We experienced a 138% increase in interest income during the three months ended June 30, 2010, but a 10% decrease for the six months ended June 30, 2010 as a result in fluctuations in cash balances. Interest was incurred during ordinary course of business through the use of corporate credit cards. We expect this amount to remain unchanged throughout the remainder of the fiscal year.

Satisfaction of our cash obligations for the next 12 months.

Historically, our plan of operation has been limited by a lack of adequate working capital. In February of 2010, we borrowed \$100,000 pursuant to a one-year convertible promissory note. As of June 30, 2010 we had available cash of \$855,215. We believe these funds will help support existing operational costs, but will only be sufficient to satisfy our working capital requirements through fiscal 2010. Consequently, in addition to cash generated from operations, we may need to raise additional funds through either equity, including convertible securities such as preferred stock or debentures, or debt financing.

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

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

Expected purchase or sale of plant and significant equipment.

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

Significant changes in the number of employees.

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

At our subsidiary levels, we have increased our number of employees to a level which satisfies our current requirements in an economically sensible manner. As the economic conditions improve, we anticipate an increase in our staffing levels as a measure to ensure continued growth. Currently, we employ two executives and seven administrative staff within NCS. RFIS is staffed with one executive and two part time administrative support persons.

Table of Contents

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 June 30, 2010 compared to December 31, 2009.

	June 30, 2010	December 31, 2009	Increase / (Decrease)	
		\$	\$	%
Current Assets	\$ 2,258,177	\$ 2,510,357	\$ (252,180)	(10 %)
Current Liabilities	2,285,143	2,311,106	(25,963)	(1 %)
Working Capital	\$ (26,966)	\$ 199,251	\$ (226,217)	(114 %)

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

We believe the \$855,215 in un-restricted cash on hand at June 30, 2010 will only be sufficient to sustain operations through fiscal 2010. As a result, we anticipate the need to seek additional funding for operations through equity or debt offerings and may need to further do so in the future through additional financing, acquisitions, joint ventures or other means available to us. Along these lines, in February of 2010, we borrowed \$100,000 pursuant to a one-year convertible promissory note. There can be no assurance that we will be able to complete a transaction or complete a transaction on terms favorable to our stockholders or us.

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

Off-Balance Sheet Arrangements

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

Table of Contents

Going Concern

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

Critical Accounting Policies and Estimates

Revenue Recognition: We 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, 2009 and 2008, 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.

RFIS currently earns commissions paid by insurance companies which are based on a percentage of the premium charged to the policyholder and considered earned over the term of the policy. Deferred commissions are related to the unexpired terms of the policies in force.

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

Recent Accounting Developments

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

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

Table of Contents

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

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

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

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

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

Table of Contents

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

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable.

Item 4T. Controls and Procedures.

Our Chief Executive Officer and Principal Financial Officer, Joseph Mangiapane, Jr., evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Report. Based on the evaluation, Mr. Mangiapane concluded that our disclosure controls and procedures are 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.

Table of Contents

PART II--OTHER INFORMATION

Item 1. Legal Proceedings.

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

Rubicon Financial Incorporated v. Grant Bettingen

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

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

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

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

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

The demurrer is sustained without leave to amend.

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

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

Table of Contents

The Court's ruling effectively dismissed the Bettingens second amended cross-complaint and the causes of action resulting therefrom. We are awaiting the final signed order from the Court, which is anticipated to be returned in late August of 2010.

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

Rubicon Financial Incorporated v. Marc Riviello

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

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

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

We are currently seeking to collect on this judgment.

Item 1A. Risk Factors.

Our significant business risks are described in Item 1A to Form 10-K for the year ended December 31, 2009 to which reference is made herein.

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

On May 21, 2010, we authorized the issuance 250,000 shares of our common stock for legal services to DeMint Law, PLLC valued at \$50,000. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2) thereof. These shares were not issued as of the date of this filing.

On May 21, 2010, we authorized the issuance 500,000 shares of our common stock to Kathleen McPherson, a director and chief executive officer of NCS, for services rendered to NCS valued at \$100,000. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2) thereof. These shares were not issued as of the date of this filing.

Table of Contents

On May 21, 2010, we authorized the issuance 150,000 shares of our common stock to Derek Lopez, president of NCS, for services valued at \$30,000. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2) thereof. These shares were not issued as of the date of this filing.

On May 21, 2010, we authorized the award of 100,000 shares of our restricted common stock for a bonus valued at \$20,000 to one of the registered representatives of our wholly owned subsidiary, NCS. The shares were awarded pursuant to the Rubicon Financial Incorporated 2007 Acquisition Stock Plan and registered on the Form S-8 filed on July 30, 2009. These shares were not issued as of the date of this filing.

Issuer Purchases of Equity Securities

We did not repurchase any of our equity securities during the quarter ended June 30, 2010.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. (Removed and Reserved).

None.

Item 5. Other Information.

None.

Table of Contents

Item 6. Exhibits.

Exhibit	Exhibit Description	Filed herewith	Incorporated by reference			
			Form	Period ending	Exhibit	Filing date
2.1	Merger Agreement among Rubicon Financial Incorporated, RFI Sub, Inc. and Grant Bettingen, Inc.		8-K		2.7	07/05/07
2.1(b)	Amendment No. 1 to the Merger Agreement among Rubicon Financial Incorporated, RFI Sub, Inc. and Grant Bettingen, Inc.		8-K		2.7(b)	09/14/07
2.1(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
2.1(d)	Amendment No. 3 to the Merger Agreement among Rubicon Financial Incorporated, RFI Sub, Inc. and Grant Bettingen, Inc., dated March 18, 2008				2.7(d)	03/21/08
2.2	Separation and Distribution Agreement by and between Rubicon Financial Incorporated and Dial-A-Cup, Inc.		8-K		2.8	08/06/07
3.1(i)(a)	Articles of Incorporation		10-KSB	12/31/05	3.1(i)(a)	04/05/06
3.1(i)(b)	Certificate of Correction of Articles of Incorporation		10-KSB	12/31/05	3.1(i)(b)	04/05/06
3.1(i)(c)	Amendment to Articles of Incorporation		10-KSB	12/31/05	3.1(i)(c)	04/05/06
3.1(i)(d)	Amendment to Certificate of Incorporation changing name from ISSG, Inc. to Rubicon Financial Incorporated		8-K		3.1(i)(d)	09/08/06
3.1(i)(g)	Amendment to Certificate of Incorporation authorizing "blank check" Preferred Stock		8-K		3.1(i)(g)	08/01/07
3.1(ii)	Bylaws		10-K	12/31/09	3.1(ii)	04/15/09
4.1	Amended and Restated Certificate of Designation of 8% Series A Convertible Preferred Stock		10-Q	09/30/08	4.1	11/19/08
10.1	Employment Agreement with Joseph Mangiapane, Jr.		8-K		10.3	01/17/07
10.2	Share Purchase Agreement between Rubicon Financial Incorporated and Grant Bettingen, Inc.		8-K		10.9	09/14/07
10.3			8-K		10.12	03/21/08

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	Amendment No. 1 to NCS Stock Purchase Agreement dated March 18, 2008				
10.4	Stock Purchase and Settlement Agreement with AIS Financial Inc. and Marc Riviello dated June 2, 2008	8-K		10.18	06/06/08
10.5	Indemnity Agreement for Kathleen McPherson	8-K		10.1	07/21/09
10.6	Indemnity Agreement for Todd Torneo	8-K		10.2	07/21/09
10.7	\$100,000 Promissory Note	10-K	12/31/09	10.7	04/15/10
31.1	<u>Certification of Joseph Mangiapane, Jr., Chief Executive Officer and Principal Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act</u>		X		
32.1	<u>Certification of Joseph Mangiapane, Jr., Chief Executive Officer and Principal Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act</u>		X		

Table of Contents

SIGNATURES

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

RUBICON FINANCIAL INCORPORATED
(Registrant)

Date: August 20, 2010

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

Table of Contents