

RUBICON FINANCIAL INC  
Form 10-K/A  
April 22, 2014

---

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

\_\_\_\_\_  
FORM 10-K /A  
(Amendment No. 1)  
\_\_\_\_\_

(Mark One)

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

For the fiscal year ended December 31, 2013

or

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

Commission file number 000-29315

RUBICON FINANCIAL INCORPORATED

(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction of incorporation or organization)

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

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

92612  
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Exchange Act: None

Securities registered pursuant to Section 12(g) of the Exchange Act: Common Stock, \$0.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.  Yes  No

Indicate by checkmark 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 checkmark whether the registrant has submitted electronically and posted on its corporation Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by checkmark 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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. \$6,188,957.70 based on a share value of \$0.30.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. 23,089,026 shares of common stock, \$0.001 par value, outstanding on April 9, 2013, which does not include 750,000 shares authorized but unissued.

DOCUMENTS INCORPORATED BY REFERENCE

None.

Table of Contents

EXPLANATORY NOTE

Rubicon Financial Incorporated is filing this Amendment No. 1 to Form 10-K (the “Amendment”) to amend its annual report on Form 10-K for the fiscal year ended December 31, 2013 (the “Original Filing”), as filed with the Securities and Exchange Commission on April 14, 2014. The purpose of this Amendment is to revise the disclosure in Item 9A regarding the Registrant’s disclosure controls and procedures. This Amendment does not materially amend any other information previously filed in the Original Filing. The Original Filing is hereby superseded and amended with respect to Item 9A as set forth in this Amendment. Except for the cover page and this explanatory note, this Amendment continues to speak as of the original filing date and does not update the disclosures contained therein to reflect any events or results which occurred subsequent to the filing date of the Original Filing.

---

Table of Contents

RUBICON FINANCIAL INCORPORATED  
FORM 10-K  
TABLE OF CONTENTS

	Page
PART I	2
<u>Item 1. Business</u>	2
<u>Item 1A. Risk Factors</u>	8
<u>Item 1B. Unresolved Staff Comments</u>	15
<u>Item 2. Properties</u>	16
<u>Item 3. Legal Proceedings</u>	16
<u>Item 4. Mine Safety Disclosures</u>	18
PART II	19
<u>Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	19
<u>Item 6. Selected Financial Data</u>	21
<u>Item 7. Management’s Discussion and Analysis of financial Condition and Results of Operations</u>	27
<u>Item 7A. Quantitative and Qualitative Disclosures about Market Risk</u>	31
<u>Item 8. Financial Statements and Supplementary Data</u>	32
<u>Item 9. Changes and Disagreements with Accountants on Accounting and Financial Disclosure</u>	33
<u>Item 9A. Controls and Procedures</u>	33
<u>Item 9B. Other Information</u>	34
Part III	35
<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	35
<u>Item 11. Executive Compensation</u>	37
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	39
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	40
<u>Item 14. Principal Accountant Fees and Services</u>	41
Part IV	42
<u>Item 15. Exhibits, Financial Statement Schedules</u>	42

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

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

- deterioration in general or regional (especially Southern California) economic, market and political conditions;
  - adverse actions by regulatory agencies, including the SEC or FINRA;
  - adverse outcomes of current or future arbitrations and litigation;
  - our ability to successfully compete in the financial services industry;
  - actions and initiatives taken by both current and potential competitors;
  - inability to raise additional financing for working capital;
- inability to locate potential mergers and acquisitions within the financial services industry and integrate acquired companies into our organization;
- 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.

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

---

Table of Contents

AVAILABLE INFORMATION

We file annual, quarterly and special reports and other information with the SEC. You can read these SEC filings and reports over the Internet at the SEC's website at [www.sec.gov](http://www.sec.gov) or on our website at [www.rubiconfinancial.com](http://www.rubiconfinancial.com). You can also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 am and 3:00 pm. Please call the SEC at (800) SEC-0330 for further information on the operations of the public reference facilities. We will provide a copy of our annual report to security holders, including audited financial statements, at no charge upon receipt to of a written request to us at Rubicon Financial Incorporated, 18872 MacArthur Blvd., First Floor, Irvine, California 92612.

PART I

Item 1. Business.

Rubicon Financial Incorporated is a financial services holding company. Our goal is to become a "Single Source Provider" (SSP) of distinct and diverse financial services, bundled together for client convenience. We believe that the economy of efficiencies that is anticipated to exist between the companies now combined in our wholly-owned subsidiary Newport Coast Securities, Inc. will increase our bottom line by lowering our costs. We are based in Orange County, California and operate primarily through Newport Coast Securities, Inc., a fully-disclosed broker-dealer, headquartered in Manhattan, New York, which also does business as Newport Coast Asset Management as a registered investment advisor and dual registrant with the Securities and Exchange Commission.

Our executive office is located at 18872 MacArthur Blvd., First Floor, Irvine, California 92612. Our telephone number is (888) 668-9567 and our website address is [www.rubiconfinancial.com](http://www.rubiconfinancial.com). The information on our website is for information purposes only and is not incorporated by reference into this report.

OUR BUSINESS

Overview

All of our revenue generating operations are currently conducted through Newport Coast Securities, Inc., a FINRA/SEC registered broker dealer and Investment Advisor ("NCS" or "Newport"). The types of financial services we offer through NCS are as follows: investment banking services for small to mid-sized companies; investment management and financial planning; and retail and institutional brokerage services.

Newport Coast Securities, Inc.

NCS has been registered as a securities broker-dealer with the SEC for over a quarter of a century and has been located in the Orange County, California area since 1985. In March of 2013, NCS relocated its corporate headquarters to New York City.

Since mid-2008, we have expended tremendous time and resources into transforming NCS into a full service broker-dealer that provides retail and institutional securities services as well as investment banking, trading, market-making, brokerage, investment advisory and financial planning, and insurance services. NCS is a \$100,000 broker/dealer with approximately 120 registered representatives in 30 branch offices producing approximately \$18.1 million in revenues for the year ended December 31, 2013.

Operating as a securities broker-dealer and investment banking firm for more than twenty-five years, NCS has dual clearing agreements and is a correspondent firm with COR Clearing and Wedbush Morgan Securities.

NCS is registered with the Securities and Exchange Commission and is a member of FINRA and the Securities Investor Protection Corporation (SIPC). NCS is also a Registered Investment Advisor registered with the SEC and is also licensed as an insurance general agency. NCS is licensed to conduct its brokerage activities in all states except Maine and the District of Columbia and is currently approved to expand to 184 registered representatives and 95 offices.



Table of Contents

Products and Services

NCS offers both its institutional and retail clients access to an extensive list of investment products and services designed to meet their own unique needs. These investments are selected to help clients grow their asset base, protect their assets, maximize their tax efficiencies and provide clients with wealth distribution strategies for their heirs and beneficiaries. These products and services include, but are not limited to:

·	Equities	·	Estate Planning
·	Fixed Income	·	Retirement Plans
·	Options	·	401k Plans
·	Mutual Funds	·	403b Plans
·	Closed End Funds	·	Single K Plans
·	Exchange Traded Funds (ETFs)	·	Defined Benefit Plans
·	Unit Investment Trust	·	Retirement Plan Advisory Services
·	Certificates of Deposit	·	College Savings Plans
·	Fee Based Accounts	·	529 Plans
·	Financial Planning	·	Alternative Investments
·	Life Insurance	·	REITs
·	Fixed Annuities	·	Specialized Debt Offerings
·	Variable Annuities	·	Non-Traded REITs
·	Long-Term Care Insurance	·	Energy Programs
·	Disability Insurance	·	Managed Futures

Investment Banking

NCS focuses on Small and Micro Cap companies. The preferred relationship with corporate clients of the firm is to provide complete investment banking services, including advisory services, corporate finance for public and private enterprises, securities transactions, trading, syndication, mergers and acquisitions, reorganizations, reverse mergers, PIPE's, and merchant banking. The firm also has experience in private equity placement, for both public and private companies. Clients can contract for comprehensive service or select any combination of investment banking services to meet their needs and the growth stage of their enterprise.

Alternative Investment Products

NCS believes that there are many benefits to being able to offer Alternative Investments to its high net worth clients. Many of these investments are uncorrelated to the market, may provide tax benefits, and/or cash flow, while still providing potential appreciation.

These investments come in many forms such as private and public Limited Partnerships and LLCs, REIT's, DSTs, Direct Investments in real estate, Managed Futures, and more. Many high net worth clients may look for access to investment vehicles that may offer higher upside potential and are willing and able to bear the additional risk. The management team utilizes outside independent due diligence in addition to its own due diligence in this area with its management team possessing well over 30 years of experience in this asset class, in both up and down cycles, in alternative investments, with a focus on protecting the client in the selection of these products.

Insurance

Newport Coast Insurance has selling agreements most insurance products including fixed and variable annuity products, variable universal life, long-term care, disability and life insurance products for estate planning. NCS

partners with only highly rated, reputable companies and field marketing organizations providing the latest innovative products to meet each client's needs.

#### Trading and Brokerage

NCS through its clearing partners utilizes highly regarded marker makers and order entry destinations, which allows NCS's customers effective and efficient execution of orders. NCS provides brokerage services to individuals, institutions and its investment banking corporate clients. NCS's account executives can handle large, complex portfolios. Institutional brokerage services are provided to corporate clients and fund managers of income, equity and hedge funds.

## Table of Contents

### Investment Advisory

NCS, doing business as Newport Coast Asset Management, is registered with the SEC as a Registered Investment Advisor. NCS currently offers investment advisor services providing fee-based account management services to clients. In addition to customized fee-based account management, NCS offers a broad professional investment advisory platform allowing account executives and their clients to select from a premier group of professional money managers to manage client assets. Financial Planning services and products are provided to support the needs of NCS's high net worth/income clients, including their need for insurance, annuity, tax planning, and estate planning. Full service financial planning and investment advisory services are offered to serve the growing needs of corporate executives introduced to the firm through its investment banking activity.

### Rubicon's Professional Corporate Team

Rubicon's corporate executives are located in our Orange County, California office and NCS's corporate executives and employees are located in the New York and Orange County offices.

The securities industry in the United States is subject to extensive regulation under both Federal and State law, as well as self-regulatory organizations. Through the issuance of policies and procedures, such as those related to related party transactions and insider trading, we aim to assure that our employees are aware of, and abide by, the various rules and regulations promulgated by these entities. While we attempt to maintain up-to-date policies and procedures, regulators are constantly defining and re-defining their interpretation of such rules and regulations in response to incidents and events, through various pronouncements and through enforcement actions aimed at behavior believed to violate such rules and regulations. As such, while we believe our current policies and procedures are reasonably designed to enforce the rules and regulations as currently interpreted, future interpretations of current rules or regulations, or further modifications to such rules and regulations could lead us to modify our policies, procedures and practices accordingly.

### Risk Management

We utilize a multi-faceted, proactive risk management process in which we create situational awareness. We provide and promote an open dialogue to identify risk associated with all aspects of our business. Our management holds our compliance personnel and our professionals accountable for the detection, investigation, monitoring, and remediation of any inherent risks that would compromise our reputation, integrity, ethical standards, financial stability, or client relationships.

We conduct an internal risk analysis to identify strengths, weaknesses, opportunities, and threats and implement policies and procedures relevant to protecting our investment while promoting our growth. The policies and procedures are also intended to mitigate any weaknesses identified and monitor any threats on an on-going basis. We will ensure checks and balances are in place to analyze external conditions that could affect operations such as event risk, interest rate changes, credit and liquidity concerns, execution risk, new product implementation, and vendor quality. The risk management process will be effectively enhanced by asking questions, soliciting additional advice, observing, analyzing and talking with the competition and learning from their mistakes and assessing industry-wide business practices. We intend to have our management personnel meet on a regular basis to assess the findings of such analysis and make modifications to our processes as necessary.

In addition to the ordinary risks inherent in our business, we will attempt to prepare for those extraordinary risks that can unexpectedly arise. We intend to review and evaluate our critical operations and infrastructure and seek to promptly identify and address deficiencies. We will also assess additional areas of extraordinary risk, such as potential conflicts of interest and exposure to fraud, through comprehensive polling of our employees. We will

attempt to identify and remedy any areas of potential conflicts of interest between our clients and us.

#### Net Capital Requirements

NCS is subject to the SEC's net capital rule (SEC Rule 15c3-1), which is designed to measure the general financial integrity and liquidity of a broker-dealer. Net capital is defined as the net worth of a broker-dealer subject to certain adjustments. In computing net capital, various adjustments are made to net worth which exclude assets not readily convertible into cash. Also, the regulations require that certain assets, such as a broker-dealer's position in securities, be valued in a conservative manner to avoid over-inflation of the broker-dealer's net capital.

At December 31, 2013, NCS had net capital of \$277,468 which was \$177,468 in excess of its required net capital of \$100,000.

## Table of Contents

Also, funds invested as equity capital may not be withdrawn, nor may any unsecured advances or loans be made to any stockholder of a registered broker-dealer, if, after giving effect to the withdrawal, advance or loan and to any other withdrawal, advance or loan as well as to any scheduled payments of subordinated debt which are scheduled to occur within six months, the net capital of the broker-dealer would fall below 120% of the minimum dollar amount of net capital required or the ratio of aggregate indebtedness to net capital would exceed 10 to 1. Further, any funds invested in the form of subordinated debt generally must be invested for a minimum term of one year and repayment of such debt may be suspended if the broker-dealer fails to maintain certain minimum net capital levels. For example, scheduled payments of subordinated debt are suspended in the event that the ratio of aggregate indebtedness to net capital of the broker-dealer would exceed 12 to 1 or its net capital would be less than 120% of the minimum dollar amount of net capital required. The net capital rule also prohibits payments of dividends, redemption of stock and the prepayment, or payment in respect of principal or subordinated indebtedness if net capital, after giving effect to the payment, redemption or repayment, would be less than the specified percentage (120%) of the minimum net capital requirement.

Failure to maintain the required net capital may subject a firm to fines, suspension or expulsion by FINRA, the SEC and other regulatory bodies and ultimately may require its liquidation. Compliance with the net capital rule could limit NCS's operations that require the intensive use of capital, such as underwriting and trading activities, and also could restrict our ability to withdraw capital from our subsidiaries, which could limit our ability to access working capital and repay debt. In the past, we have entered into, and from time to time in the future may enter into, temporary subordinated loan arrangements to borrow funds on a short-term basis from our stockholders, unaffiliated third parties or banks to supplement our working capital needs.

## Competition

Our primary competitors will be local and regional investment banks that provide similar comprehensive financial services and full service independent contractor broker-dealers.

We will be subject to intense competition in all of the markets for our principal financial products and services in the United States. Several large Wall Street and foreign firms dominate the securities industry. Over the past several years there have been numerous acquisitions of securities firms by large financial institutions and insurance companies. These financial institutions have greater financial resources than we do, which allow them to engage in additional lending activities to businesses in connection with providing financial advisory services as well as to underwrite larger offerings and hold much larger trading positions than we are able.

The large financial institutions and insurance companies have a broader product base and geographic reach, which may mitigate the effects on their businesses of a downturn in certain market conditions or a downturn in the economy in specific regions of the country or sectors of the economy. We also compete with regional broker-dealers and small boutique firms. In addition, we compete with alternative trading systems via the internet and other media through which securities and futures transactions are affected. Competition is principally based on price, quality of service, reputation and financial resources. There has been increased competition in recent years from other market participants, including insurance companies, commercial banks, electronic communications networks, online brokerage firms, mutual fund sponsors and other companies offering financial services.

There is competition within our industry in obtaining and retaining the services of qualified employees. Our ability to compete effectively is dependent upon attracting, retaining and motivating qualified individuals. The ability to attract, retain, and motivate such persons depends, among other things, on geographical location, work environment, culture and compensation. We believe the fact we are publicly traded, which enables us to offer stock-based compensation and incentives, will allow us to compete more effectively for qualified employees.

Regulation

Securities

NCS is subject to complex and extensive regulation of most aspects of its business by Federal and State regulatory agencies, self-regulatory agencies, securities exchanges and by foreign governmental agencies, regulatory bodies and securities exchanges. The regulatory framework of the securities industry is designed primarily to safeguard the integrity of the capital markets and protect customers, not creditors or stockholders. The laws, rules, and regulations comprising such regulatory framework are constantly changing, as are the interpretation and enforcement of existing laws, rules, and regulations. The effect of any such changes cannot be predicted and may direct the manner of operation and profitability of our company.

NCS is subject to regulations governing every aspect of the securities business, including the effecting of securities transactions, capital requirements, record-keeping, reporting procedures, relationships with customers, the handling of cash and margin accounts, training requirements for certain employees and business procedures with firms that are not members of these regulatory bodies.

## Table of Contents

NCS is registered as a securities broker-dealer with the SEC. The securities exchanges mentioned above and the FINRA are voluntary, self-regulatory bodies composed of members, such as NCS, which have agreed to abide by the respective bodies' rules and regulations. These organizations may expel, fine, and otherwise discipline member firms and their employees. NCS is licensed as a broker-dealer in all states except Maine. This will require us to comply with the laws, rules, and regulations of each state. Each state may revoke the license to conduct a securities business, fine, and otherwise discipline broker-dealers and their employees.

NCS is also subject to the SEC's uniform net capital rule, Rule 15c3-1. The uniform net capital rule sets the minimum level of net capital a broker-dealer must maintain and also requires that a portion of its assets be relatively liquid. In addition, NCS is subject to certain notification requirements related to withdrawals of excess net capital.

The research areas of investment banks have been, and remain, the subject of increased regulatory scrutiny. In 2002 and 2003, acting in part pursuant to a mandate contained in the Sarbanes-Oxley Act, the SEC and the FINRA adopted rules imposing heightened restrictions on the interaction between equity research analysts and investment banking personnel. The SEC and the FINRA may adopt additional and more stringent rules with respect to research analysis in the future. NCS does not currently provide research analysis on securities, but may do so in the future.

NCS is also subject to the USA Patriot Act anti-money-laundering provisions which, mandates the implementation of various new regulations applicable to broker-dealers and other financial services companies, including standards for verifying client identification at account opening and obligations to monitor client transactions and report suspicious activities. Through these and other provisions, the USA Patriot Act seeks to promote the identification of parties that may be involved in terrorism or money laundering. Anti-money laundering laws outside the United States contain some similar provisions. The obligation of financial institutions to identify their customers, watch for and report suspicious transactions, respond to requests for information by regulatory authorities and law enforcement agencies, and share information with other financial institutions, has required the implementation and maintenance of internal practices, procedures, and controls which have increased, and may continue to increase, our costs, and any failure with respect to our programs in this area could subject us to substantial liability and regulatory sanctions.

The Dodd-Frank Act includes various provisions that affect the regulation of broker-dealer sales practices and customer relationships. For example, the SEC is authorized to adopt a fiduciary duty applicable to broker-dealers when providing personalized investment advice about securities to retail customers. The U.S. Department of Labor is considering revisions to regulations under the Employee Retirement Income Security Act of 1974 that could subject broker-dealers to a fiduciary duty and prohibit specified transactions for a wider range of customer interactions. These developments may impact the manner in which affected businesses are conducted, decrease profitability and increase potential liabilities.

## Insurance

The California Department of Insurance regulates such matters as the licensing of sales personnel and the marketing and contents of insurance policies and annuity contracts. The primary purpose of such regulation and supervision is to protect the interests of contract holders and policyholders. Financial regulation is extensive, and any financial and intercompany transactions between an insurance subsidiary and any of our other companies (such as intercompany dividends, capital contributions and investment activity) may be subject to pre-notification and continuing evaluation by the California Department of Insurance.

At the Federal level, there is periodic interest in enacting new regulations relating to various aspects of the insurance industry, including taxation of annuities and life insurance policies, accounting procedures, and the treatment of persons differently because of gender, with respect to terms, conditions, rates or benefits of an insurance policy. Adoption of any new federal regulation in any of these areas could potentially have an adverse effect upon us and any

insurance subsidiary. Also, recent federal legislative proposals aimed at the promotion of tax-advantaged savings through Lifetime Savings Accounts and Retirement Savings Accounts may adversely impact our sales of annuity and life insurance products if enacted.

#### Financial Reform Act

The Dodd-Frank Act was enacted on July 21, 2010. While certain portions of the Dodd-Frank Act became effective immediately, most other portions are effective following transition periods or through numerous rulemakings by multiple governmental agencies, and although a large number of rules have been proposed, many are still subject to final rulemaking or transition periods. U.S. regulators also plan to propose additional regulations to implement the Dodd-Frank Act. Accordingly, it remains difficult to assess fully the impact that the Dodd-Frank Act will have on the Company and on the financial services industry generally.

It is likely that 2014 and subsequent years will see further material changes in the way major financial institutions are regulated in both the U.S. and other markets in which the Company operates, although it remains difficult to predict the exact impact these changes will have on the Company's business, financial condition, results of operations and cash flows for a particular future period.



## Table of Contents

As a result of the passage of the Dodd-Frank Act, the Company's asset management activities will be subject to certain additional laws and regulations, including, but not limited to, additional reporting and recordkeeping requirements (including with respect to clients that are private funds), restrictions on sponsoring or investing in, or maintaining certain other relationships with, "covered funds," as defined in the Volcker Rule, subject to certain limited exemptions, and certain rules and regulations regarding trading activities, including trading in derivatives markets. Many of these new requirements may increase the expenses associated with the Company's asset management activities and/or reduce the investment returns the Company is able to generate for its asset management clients. Several important elements of the Dodd-Frank Act will not be known until rulemaking is finalized and certain final regulations are adopted.

### DIAL-A-CUP SPINOUT

On July 31, 2007, we entered into a Separation and Distribution Agreement with Dial-A-Cup, Inc., a Nevada corporation and our wholly owned subsidiary ("DAC"), whereby we agreed to spinout at least 50% of the shares of DAC common stock owned by us to our stockholders on a ten for one basis (each of our stockholders will receive one DAC share for every ten shares they hold in us). The Separation and Distribution Agreement further provides, among other things, for the principal corporate transactions required to affect the spinout and certain other agreements governing our relationship with DAC after the spinout. Generally, DAC will take all of the business, assets and liabilities transferred to or assumed by it pursuant to the Separation and Distribution Agreement or other ancillary agreements on an "as is, where is" basis without representations or warranties by us.

DAC is required to file a registration statement on Form S-1 to register shares of DAC common stock to be distributed to our stockholders. The record date for the distribution of DAC shares shall be set as the tenth day following effectiveness of the S-1 registration statement. Fractional shares of DAC will be rounded up to the nearest whole DAC share. Following the completion of the distribution, DAC plans to seek a market maker to quote its common stock on the Over-the-Counter Bulletin Board.

All stockholders that hold shares of our common stock prior to the effective date of the registration statement will receive shares of DAC in conjunction with the spin-out.

Due to a lack of sufficient capital resources and dormant nature of DAC, the registration process has not commenced and is not anticipated to commence until such time as DAC is able to raise sufficient capital, which is not anticipated to be in the next twelve months.

### DAC Business

Dial-A-Cup is a rotating cylinder appliance of six individual compartments that allows one fresh cup of coffee, tea, hot chocolate, soup, etc. to be brewed with each compartment having its own permanent filter. DAC developed the appliance through Advance Plastics (San Diego, CA) and its manufacturing facilities in China. The first prototype was completed in late 2004, and the initial pre-production appliances were manufactured for submission for UL approval. However, at this point in time DAC has conducted no business and is dormant pending the receipt of capital.

There is a wide and varied customer base for beverage systems. Initial marketing, once capital is raised, is anticipated to be to small businesses nationwide through the use of established national distributors, followed by introduction to the consumer via television through the consumer home shopping networks followed by sales to national retailers.

The on-demand coffee systems currently being marketed have met with sales difficulties because they require the use of the manufacturers "coffee pods" which are expensive and limited in selection. The Dial-A-Cup appliance is designed to allow the customer to continue to use the brand of coffee, or other beverage, they currently use in their drip coffee pots. DAC plans to market its own private label custom blended coffee for its appliance.

Although we have not commenced any significant operations with our on-demand coffee systems, we believe we offer a unique product that does not have any direct competitors. However, we indirectly compete with dispensed coffee manufacturers, coffee shops, coffee or drinks sales, and more generally the beverage industry as a whole.

Dial-A-Cup is a trademarked name, and has been issued two (2) U.S. Patents to date, and has one (1) patent pending.

In May 2007, DAC changed its corporate domicile from New York to Nevada through a merger with a newly formed Nevada corporation and wholly owned subsidiary.

Table of Contents

Item 1A. Risk Factors.

In the course of conducting our business operations, we are exposed to a variety of risks that are inherent to the financial services industry. The following discusses some of the key inherent risk factors that could affect our business and operations, as well as other risk factors which are particularly relevant to us. Other factors besides those discussed below or elsewhere in this report also could adversely affect our business and operations, and these risk factors should not be considered a complete list of potential risks that may affect us.

Risks Relating To Our Business and Marketplace

We have incurred, and may continue to incur, significant operating losses.

We incurred losses from operations for the years ended December 31, 2013 and 2012. We cannot assure you that we will be able to achieve revenue growth, profitability or positive cash flow on either a quarterly or annual basis. Although we believe that we have adequate cash and regulatory capital to fund our current level of operating activities through fiscal 2014, if we are unable to operate profitably, we may not be financially viable in the future and may have to curtail, suspend or cease operations.

We may need additional capital in the future to finance our operations, which we may not be able to raise or it may only be available on terms unfavorable to us and or our stockholders. This may result in our inability to fund our working capital requirements and harm our operational results.

We have and expect to continue to have substantial capital expenditure and working capital needs. We believe that current cash on hand and the other sources of liquidity will be sufficient enough to fund our operations in the ordinary course of business through fiscal 2014. However, if we experience extraordinary expenses or other events beyond our control, we may need to raise additional funds to continue our operations. Furthermore, additional funds will be needed to pursue our intentions of acquiring private companies in the financial services industry.

Additional financing might not be available on terms favorable to us, or at all. If adequate funds were not available or were not available on acceptable terms, our ability to fund our operations, take advantage of unanticipated opportunities, develop or enhance our business or otherwise respond to competitive pressures would be significantly limited.

As a financial services holding company, we are dependent on financing from the sale of our securities and funds from our operating subsidiary.

We are a holding company that is a separate and distinct legal entity from our broker-dealer subsidiary. We therefore depend on dividends, distributions and other payments from our operating subsidiary and borrowings and will depend in large part on financing from the sale of our securities to fund payments on our obligations, including debt obligations. Our broker-dealer subsidiary is subject to laws that authorize regulatory bodies to block or reduce the flow of funds from this subsidiary to us. Regulatory action of that kind could impede access to funds we need to make payments on our obligations. In addition, our right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors.

An inability to access capital readily or on terms favorable to us could impair our ability to fund operations and could jeopardize our financial condition.

Access to funds is essential to our anticipated business of financial services. In the future we may need to incur debt or issue equity in order to fund our working capital requirements, as well as to make acquisitions and other investments.

Our access to funding sources could be hindered by many factors. Those factors that are specific to our anticipated line of business include the possibility that lenders could develop a negative perception of our long-term or short-term financial prospects if we incur large trading losses or legal liabilities or if the level of our business activity decreases due to a market downturn. Similarly, our access may be impaired if regulatory authorities take significant action against us, or if our employees engage in material unauthorized or illegal activity.

## Table of Contents

The financial services industry faces substantial litigation and is subject to extensive regulatory investigations, and we may face damage to our reputation and legal liability.

As a financial services firm, we face the risk of investigations and proceedings by governmental and self-regulatory organizations. Interventions by authorities may result in adverse judgments, settlements, fines, penalties, injunctions or other relief. In addition to the monetary consequences, these measures could, for example, impact our ability to engage in, or impose limitations on, certain of our businesses. The number of these investigations and proceedings, as well as the amount of penalties and fines sought, has increased substantially in recent years with regard to many firms in the financial services industry, including us. Significant regulatory action against us could materially adversely affect our business, financial condition or results of operations or cause us significant reputational harm, which could seriously harm our business. The Dodd-Frank Act also provides compensation to whistleblowers who present the SEC with information related to securities laws violations that leads to a successful enforcement action. As a result of this compensation, it is possible we could face an increased number of investigations by the SEC.

We have been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions, and other litigation, as well as investigations or proceedings brought by regulatory agencies, arising in connection with our activities as a financial services company, most recently the Wells notice from FINRA. Certain of the actual or threatened legal or regulatory actions include claims for substantial compensatory and/or punitive damages, claims for indeterminate amounts of damages, or may result in penalties, fines, or other results adverse to us. In some cases, the issuers or brokers that would otherwise be the primary defendants in such cases are bankrupt or in financial distress or no longer registered with us. Like any corporation, we are also subject to risk from potential employee misconduct, including non-compliance with policies and improper use or disclosure of confidential information.

Substantial legal liability could materially adversely affect our business, financial condition or results of operations or cause us significant reputational harm, which could seriously harm our business. For example, 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 have been, and expect that we may continue to become, the subject of increased claims for damages and other relief in the future and 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. For more information regarding legal proceedings in which we are involved see “Legal Proceedings” in Part I, Item 3 herein.

Errors and omissions claims may negatively affect our business and results of operations.

Our broker dealer subsidiary is subject to claims and litigation in the ordinary course of business resulting from alleged and actual errors and omissions in placing insurance, effecting securities transactions and rendering investment advice. These activities involve substantial amounts of money. Since errors and omissions claims against our operating subsidiary or its financial advisors may allege liability for all or part of the amounts in question, claimants may seek large damage awards. These claims can involve significant defense costs. Errors and omissions could include, for example, failure, whether negligently or intentionally, to effect securities transactions on behalf of clients, to choose suitable investments for any particular client, to supervise a financial advisor or to provide insurance carriers with complete and accurate information. It is not always possible to prevent or detect errors and omissions, and the precautions our subsidiary takes may not be effective in all cases. Our liability for significant and successful errors and omissions claims may materially and negatively affect our results of operations.

As a financial service company, our success depends, in part, on our ability to adapt our products and services to evolving industry standards.

Our business model is based on a diversified mix of businesses that provides a wide range of financial products and services, delivered through multiple distribution channels. Which means our success depends, in part, on our ability to adapt our products and services to evolving industry standards. There is increasing pressure by competition to provide products and services at lower prices. This can reduce our revenues from our fee-based products and services. In addition, the widespread adoption of new technologies, including Internet services, could require us to incur substantial expenditures to modify or adapt our existing products and services. We might not be successful in developing and introducing new products and services, responding or adapting to changes in consumer spending and saving habits, achieving market acceptance of our products and services, or developing and maintaining loyal customers.

Misconduct by our employees and independent financial advisors is difficult to detect and deter and could harm our business, results of operations or financial condition.

Misconduct by our employees and independent financial advisors could result in violations of law by us, regulatory sanctions and/or serious reputational or financial harm.

Table of Contents

Misconduct could include:

- binding us to transactions that exceed authorized limits;
- hiding unauthorized or unsuccessful activities resulting in unknown and unmanaged risks or losses;
- improperly using or disclosing confidential information;
- recommending transactions that are not suitable or in the client's best interests;
- engaging in fraudulent or otherwise improper activity;
- engaging in unauthorized or excessive trading to the detriment of customers; or
- otherwise not complying with laws or our control procedures.

We cannot always deter misconduct by our employees and independent financial advisors, and the precautions we take to prevent and detect this activity may not be effective in all cases. Prevention and detection among our independent financial advisors, who are not employees of our company and tend to be located in small, decentralized offices, present additional challenges. Misconduct by our employees and independent financial advisors may have a material adverse effect on our business and results of operations.

We may not be able to retain our key personnel or hire the personnel we need to sustain and grow our business.

We face intense competition for qualified employees from businesses in the financial services industry. Our performance is highly dependent upon our ability to attract, retain, and motivate highly skilled, talented employees. These professionals are regularly recruited by other firms and may choose to change firms, in which case their clients may choose to move their assets. Given our relatively small size compared to some of our competitors, the performance of our business may be more adversely affected than our competitors would be if we lose well-performing employees and are unable to attract new ones.

Regulatory capital requirements and our holding company structure may adversely affect our ability to expand or maintain present levels of our business or impair our ability to meet our financial obligations.

We have a broker-dealer subsidiary, NCS, which is subject to the SEC's uniform net capital rule, Rule 15c3-1, which sets the minimum level of net capital a broker-dealer must maintain and also requires that a portion of its assets be relatively liquid. As we are a holding company, we will depend on dividends and other payments from our subsidiaries to fund all payments on our obligations, including any debt obligations, and potential working capital requirements. These regulatory restrictions may impede our access to funds. In addition, underwriting commitments require a charge against net capital and, accordingly, NCS's ability to make underwriting commitments may be limited by the requirement that it must at all times be in compliance with the applicable net capital regulations. NCS is also be subject to certain notification requirements related to withdrawals of excess net capital.

We are subject to strict government regulations and the failure to comply could result in disciplinary actions.

The securities industry in the United States is subject to extensive regulations under both Federal and State laws. Broker-dealers, such as NCS, and investment advisors are subject to regulations covering all aspects of their business. Recently, the securities industry has experienced a great deal of negative exposure due to alleged underwriting negligence, conflicts of interest, research improprieties and mutual fund trading improprieties. As a result, regulatory agencies and the U.S. government have intervened in an attempt to resolve these various issues, including the passage of the Dodd-Frank Act. In addition, the SEC, FINRA, other self-regulatory organizations, and state securities commissions can censure, fine, issue cease-and-desist orders, or suspend or expel a broker-dealer or any of its officers or employees.

Our ability to comply with all applicable laws and rules is largely dependent on our establishment and maintenance of a system to ensure compliance with these laws and rules, as well as our ability to attract and retain qualified compliance personnel. The demands placed upon our personnel and financial resources may be too significant for us to quickly adapt to a changing regulatory environment and may impact our ability to provide or expand our services. Any disciplinary or other action imposed upon us due to claimed noncompliance in the future could have a material adverse effect on our business, financial condition and operating results.

In addition, our operations and profitability may be affected by additional legislation, changes in rules promulgated by the SEC, FINRA, other self-regulatory organizations, and state securities commissions, or changes in the interpretation or enforcement of existing laws and rules including, but not limited to, existing regulations which restrict communications between our research analysts and our other departments. We cannot assure you that such future regulations will not require us to implement additional compliance policies and that such policies will not materially increase our compliance expenses or otherwise adversely affect our business, financial condition and operating results.



## Table of Contents

We engage in the securities business that subjects us to the specific risks of that business.

The securities business is by its nature subject to various risks, particularly in volatile or illiquid markets, including the risk of losses resulting from the underwriting or ownership of securities, customer fraud, employee errors and misconduct, failures in connection with the execution of securities transactions, and litigation. Our business and profitability are affected by many other factors, including:

- Volume, size and timing of securities transactions;
- Demand for investment banking services;
- Level and volatility of interest rates;
- Availability of credit;
- Volatility of equity and debt securities held in inventory;
- Legislation affecting the business and financial communities; and
- The economy in general.

Conditions in the financial markets and the economy generally have a direct and material impact on our results of operations and financial condition. For example, our investment banking revenue, in the form of underwriting discounts, placement agent fees, and financial advisory fees, is directly related to the volume and value of the transactions in which we are involved. When uncertain or unfavorable market or economic conditions exist, the volume and size of capital-raising transactions and acquisitions and dispositions typically decrease, thereby reducing the demand for our investment banking services and increasing price competition.

A downturn in the financial markets may also result in a decline in the volume and value of trading transactions. This could lead to a decline in the revenue we receive from commissions on the execution of trading transactions and a reduction in the value of our trading positions, commissions and spreads. Sudden sharp declines in market values of securities can result in illiquid markets, making it more difficult to resell securities we own and decreasing our trading activities generally, and the failure of counterparties to perform their obligations, as well as increases in claims and litigation, including arbitration claims from clients.

We may not be able to compete successfully with other companies in the securities industry.

The securities industry is extremely competitive and our overall business will be adversely affected if we are unable to compete successfully. In recent years, significant price competition in many areas of our business, including pressure on trading spreads and commissions have reduced financial service firms' profit margins. We believe that price competition in these and other areas will continue as some of our competitors seek to obtain market share by reducing fees, commissions, or spreads. Many of these companies are larger than we are, have greater financial resources and may be more willing to lend money to businesses in connection with providing them with financial advisory services. In our proposed capital markets and investment banking businesses, we would compete against larger national and international firms with much larger capital bases that allow them to underwrite larger offerings and hold much larger trading positions.

Further, consolidation in the securities industry fostered in part by changes in the regulatory framework in the U.S. has also increased competition, bolstering the capital base, product diversification, and geographic reach of some of our competitors. Finally, the emergence of alternative securities and futures trading systems via the internet and other media has offered a potentially less expensive alternative to our services. If this trend toward using alternative trading systems continues to grow, it may adversely affect our commission and trading revenue, reduce our participation in the trading markets and our ability to access market information, and result in the creation of new and stronger competitors.

We may experience further writedowns of our financial instruments and other losses related to volatile and illiquid market conditions.

Market volatility, illiquid market conditions and disruptions in the credit markets have made it extremely difficult to value certain of our securities. Subsequent valuations, in light of factors then prevailing, may result in significant changes in the values of these securities in future periods. In addition, at the time of any sales and settlements of these securities, the price we ultimately realize will depend on the demand and liquidity in the market at that time and may be materially lower than their current fair value. Any of these factors could require us to take further writedowns in the value of our securities portfolio, which may have an adverse effect on our results of operations in future periods.

In addition, financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. Under these extreme conditions, hedging and other risk management strategies may not be as effective at mitigating trading losses as they would be under more normal market conditions. Moreover, under these conditions market participants are particularly exposed to trading strategies employed by many market participants simultaneously and on a large scale, such as crowded trades. Severe market events have historically been difficult to predict, however, and we could realize significant losses if unprecedented extreme market events were to occur, such as conditions in the global financial markets and global economy that prevailed from 2008 through 2011.

Table of Contents

Our business could be adversely affected by a breakdown in the financial markets.

As a securities broker-dealer, the business of NCS is materially affected by conditions in the financial markets and economic conditions generally, both in the United States and elsewhere around the world. Many factors or events could lead to a breakdown in the financial markets including war, terrorism, natural catastrophes and other types of disasters. These types of events could cause people to begin to lose confidence in the financial markets and their ability to function effectively. If the financial markets are unable to effectively prepare for these types of events and ease public concern over their ability to function, our revenues are likely to decline and our operations are likely to be adversely affected.

Our revenues may decline in adverse market or economic conditions.

Unfavorable financial or economic conditions may reduce the number and size of the transactions in which we provide services. Our investment banking revenues, in the form of financial advisory, placement agent and other fees, are directly related to the number and size of the transactions in which we participate and would therefore be adversely affected by a sustained market downturn. Additionally, a downturn in market conditions could lead to a decline in the volume of transactions that we execute for our customers and, therefore, to a decline in the revenues we receive from commissions and spreads. We must review customer relationships for impairment whenever events or circumstances indicate that impairment may be present, which may result in a material, non-cash write down of customer relationships. A significant decrease in revenues or cash flows derived from acquired customer relationships could result in a material, non-cash write-down of customer relationships. Such impairment would have a material adverse impact on our results of operations and stockholders' equity.

Market fluctuations and volatility may reduce our revenues and profitability.

Financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity, such as the asset price deterioration in the subprime residential mortgage market.

Our revenue and profitability may be adversely affected by declines in the volume of securities transactions and in market liquidity. Additionally, our profitability may be adversely affected by losses from the trading or underwriting of securities or failure of third parties to meet commitments. We act as a market maker in publicly traded common stocks. In market making transactions, we undertake the risk of price changes or being unable to resell the common stock it holds or being unable to purchase the common stock it has sold. These risks are heightened by the illiquidity of many of the common stocks we trade and/or make a market. Any losses from our trading activities, including as a result of unauthorized trading by our employees, could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Lower securities price levels may also result in a reduced volume of transactions, as well as losses from declines in the market value of common stocks held for trading purposes. During periods of declining volume and revenue, our profitability would be adversely affected. Declines in market values of common stocks and the failure of issuers and third parties to perform their obligations can result in illiquid markets.

We generally maintain trading and investment positions in the equity markets. To the extent that we own assets, i.e., have long positions, a downturn in those markets could result in losses from a decline in the value of such long positions. Conversely, to the extent that we have sold assets that we do not own, i.e., have short positions in any of those markets, an upturn could expose it to potentially unlimited losses as we attempt to cover our short positions by acquiring assets in a rising market.

We may, from time to time, have a trading strategy consisting of holding a long position in one asset and a short position in another from which we expect to earn revenues based on changes in the relative value of the two assets. If, however, the relative value of the two assets changes in a direction or manner that we did not anticipate or against which we have not hedged, we might realize a loss in those paired positions. In addition, we maintain trading positions that can be adversely affected by the level of volatility in the financial markets, i.e., the degree to which trading prices fluctuate over a particular period, in a particular market, regardless of market levels.

Poor performance of the investment products and services recommended or sold to asset management clients may have a material adverse effect on our business.

Our investment advisory clients generally may terminate their contracts at any time. These clients can terminate their relationship, reduce the aggregate amount of assets under management or shift their funds to other types of accounts with different rate structures for any number of reasons, including investment performance, changes in prevailing interest rates, financial market performance and personal client liquidity needs. Poor performance of the investment products and services recommended or sold to such clients relative to the performance of other products available in the market or the performance of other investment management firms tends to result in the loss of accounts. The decrease in revenue that could result from such an event could have a material adverse effect on our results of operations.

## Table of Contents

The financial services industry is subject to extensive regulation, which is undergoing major changes that will impact our business.

Like other financial services firms, we are subject to extensive regulation by U.S. federal and state regulatory agencies and securities exchanges and by regulators and exchanges in each of the major markets where we conduct our business. These laws and regulations significantly affect the way we do business, and can restrict the scope of our existing businesses and limit our ability to expand our product offerings and pursue certain investments.

In response to the financial crisis, legislators and regulators, both in the U.S. and worldwide, have adopted, or are currently considering enacting, financial market reforms that have resulted and could result in major changes to the way our global operations are regulated. In particular, as a result of the Dodd-Frank Act, we are, or will become, subject to (among other things) significantly revised and expanded regulation and supervision, to more intensive scrutiny of our businesses and any plans for expansion of those businesses, to new activities limitations, to a systemic risk regime that imposes heightened capital and liquidity requirements, and to comprehensive new derivatives regulation. While certain portions of the Dodd-Frank Act became effective immediately, most other portions are effective following transition periods or through numerous rulemakings by multiple governmental agencies, and although a large number of rules have been proposed, many are still subject to final rulemaking or transition periods. U.S. regulators also plan to propose additional regulations to implement the Dodd-Frank Act. Many of the changes required by the Dodd-Frank Act could materially impact the profitability of our businesses and the value of assets we hold, expose us to additional costs, require changes to business practices or force us to discontinue businesses, or require us to raise capital, including in ways that may adversely impact our stockholders or creditors. In addition, similar regulatory requirements are being proposed by foreign policymakers and regulators, which may be inconsistent or conflict with regulations that we are subject to in the U.S. and, if adopted may adversely affect us. While there continues to be uncertainty about the full impact of these changes, we do know that the Company will be subject to a more complex regulatory framework, and will incur costs to comply with new requirements as well as to monitor for compliance in the future.

Automated trading markets may adversely affect our business and may increase competition.

We have experienced intense price competition in some of our businesses in recent years. In particular, the ability to execute securities trades electronically on exchanges and through other automated trading markets has increased the pressure on trading commissions. The trend toward direct access to automated, electronic markets will likely continue. It is possible that we will experience competitive pressures in these and other areas in the future as some of our competitors may seek to obtain market share by reducing prices.

Our risk management policies and procedures may leave us exposed to unidentified risks or an unanticipated level of risk.

The policies and procedures we employ to identify, monitor and manage risks may not be fully effective. Some methods of risk management are based on the use of observed historical market behavior. As a result, these methods may not predict future risk exposures, which could be significantly greater than the historical measures indicate. Other risk management methods depend on evaluation of information regarding markets, clients or other matters that are publicly available or otherwise accessible by us. This information may not be accurate, complete, up-to-date or properly evaluated. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events. We cannot assure you that our policies and procedures will effectively and accurately record and verify this information.

We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit, operational and legal reporting systems. Nonetheless, the effectiveness of our ability to manage risk exposure can

never be completely or accurately predicted or fully assured. For example, unexpectedly large or rapid movements or disruptions in one or more markets or other unforeseen developments can have a material adverse effect on our results of operations and financial condition. The consequences of these developments can include losses due to adverse changes in inventory values, decreases in the liquidity of trading positions, higher volatility in earnings, increases in our credit risk to customers as well as to third parties and increases in general systemic risk.

Our clearing brokers extend credit to our clients and we are liable if the clients do not pay.

NCS permits its clients to purchase securities on a margin basis or sell securities short, which means that our clearing firms extend credit to the client secured by cash and securities in the client's account. During periods of volatile markets, the value of the collateral held by the clearing brokers could fall below the amount borrowed by the client. If margin requirements are not sufficient to cover losses, the clearing broker sells or buys securities at prevailing market prices, and may incur losses to satisfy client obligations. NCS has agreed to indemnify the clearing brokers for losses they may incur while extending credit to its clients.

## Table of Contents

We rely on clearing brokers and unilateral termination of the agreements with these clearing brokers could disrupt our business.

NCS is an introducing brokerage firm, using third party clearing brokers to process its securities transactions and maintain customer accounts. The clearing brokers also provide billing services, extend credit and provide for control and receipt, custody and delivery of securities. We depend on the operational capacity and ability of the clearing brokers for the orderly processing of transactions. In addition, by engaging the processing services of a clearing firm, we are exempt from some capital reserve requirements and other regulatory requirements imposed by federal and state securities laws. If the clearing agreements are unilaterally terminated for any reason, we would be forced to find alternative clearing firms without adequate time to negotiate the terms of a new clearing agreement and without adequate time to plan for such change. There can be no assurance that if there were a unilateral termination of a clearing agreement that we would be able to find an alternative clearing firm on acceptable terms to it or at all.

Legislative, judicial or regulatory changes to the classification of independent contractors could increase our operating expenses.

From time to time, various legislative or regulatory proposals are introduced at the federal or state levels to change the status of independent contractors' classification to employees for either employment tax purposes (withholding, social security, Medicare and unemployment taxes) or other benefits available to employees. Currently, most individuals are classified as employees or independent contractors for employment tax purposes based on 20 "common law" factors, rather than any definition found in the Internal Revenue Code or Internal Revenue Service ("IRS") regulations. NCS classifies its registered representatives as independent contractors for all purposes, including employment tax and employee benefit purposes. We cannot assure you that legislative, judicial, or regulatory (including tax) authorities will not introduce proposals or assert interpretations of existing rules and regulations that would change the employee/independent contractor classification of NCS' registered representatives. The costs associated with potential changes, if any, to these independent contractor classifications could have a material adverse effect on us, including our results of operations and financial condition.

Changes in accounting standards, especially those that relate to management estimates and assumptions, are unpredictable and may materially impact how we report and record our financial condition.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the value of our assets or liabilities and financial results and are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain. From time to time the Financial Accounting Standards Board ("FASB") and the SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. In addition, accounting standard setters and those who interpret the accounting standards (such as the FASB, the SEC, banking regulators and our outside auditors) may change or even reverse their previous interpretations or positions on how these standards should be applied. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in our restating prior period financial statements. For a further discussion of some of our significant accounting policies and standards and recent accounting changes, see Note 1 to the Consolidated Financial Statements.

### Risks Relating To Our Common Stock

Our common stock has low trading volume and any sale of a significant number of shares is likely to depress the trading price.

Our common stock is quoted on the OTCQB. Traditionally, the trading volume of the common stock has been limited. For example, for the 30 trading days ending on December 31, 2013, the average daily trading volume was estimated to be approximately 2,753 shares per day and on a majority of days there was no trading activity. During such 30-day period the closing price of the common stock ranged from a high of \$0.23 to a low of \$0.18. Because of this limited trading volume, holders of our securities may not be able to sell quickly any significant number of such shares, and any attempted sale of a large number of our shares will likely have a material adverse impact on the price of our common stock. Because of the limited number of shares being traded, the price per share is subject to volatility and may continue to be subject to rapid price swings in the future.



Table of Contents

Because our common stock is deemed a low-priced “Penny” stock, an investment in our common stock should be considered high risk and subject to marketability restrictions.

Since our common stock is a penny stock, as defined in Rule 3a51-1 under the Securities Exchange Act, it will be more difficult for investors to liquidate their investment even if and when a market develops for the common stock. Until the trading price of the common stock rises above \$5.00 per share, if ever, trading in the common stock is subject to the penny stock rules of the Securities Exchange Act specified in rules 15g-1 through 15g-10. Those rules require broker-dealers, before effecting transactions in any penny stock, to:

Deliver to the customer, and obtain a written receipt for, a disclosure document;

Disclose certain price information about the stock;

Disclose the amount of compensation received by the broker-dealer or any associated person of the broker-dealer;

Send monthly statements to customers with market and price information about the penny stock; and

In some circumstances, approve the purchaser’s account under certain standards and deliver written statements to the customer with information specified in the rules.

Consequently, the penny stock rules may restrict the ability or willingness of broker-dealers to sell the common stock and may affect the ability of holders to sell their common stock in the secondary market and the price at which such holders can sell any such securities. These additional procedures could also limit our ability to raise additional capital in the future.

We have the ability to issue additional shares of our common stock and shares of preferred stock without asking for stockholder approval, which could cause your investment to be diluted.

Our Articles of Incorporation authorizes the Board of Directors to issue up to 100,000,000 shares of common stock and 10,000,000 shares of preferred stock. The power of the Board of Directors to issue shares of common stock, preferred stock or warrants or options to purchase shares of common stock or preferred stock is generally not subject to stockholder approval. Accordingly, any additional issuance of our common stock, or preferred stock that may be convertible into common stock, may have the effect of diluting one’s investment.

By issuing preferred stock, we may be able to delay, defer or prevent a change of control.

During fiscal 2013 we were authorized to issue a total of 9,000,000 shares of “blank check” preferred stock and up to 1,000,000 shares of Series A Convertible Preferred Stock. In February of 2013, our board of directors authorized up to 1,000,000 shares of Series B Convertible Preferred Stock. Our Board of Directors can determine the rights, preferences, privileges and restrictions granted to, or imposed upon, the shares of preferred stock and to fix the number of shares constituting any series and the designation of such series. It is possible that our Board of Directors, in determining the rights, preferences and privileges to be granted when the preferred stock is issued, may include provisions that have the effect of delaying, deferring or preventing a change in control, discouraging bids for our common stock at a premium over the market price, or that adversely affect the market price of and the voting and other rights of the holders of our common stock.

FINRA sales practice requirements may also limit a stockholder’s ability to buy and sell our stock.

In addition to the “penny stock” rules described above, FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer’s financial status, tax status, investment objectives and other information. Under interpretations of these rules, the FINRA believes that there is a

high probability that speculative low priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

#### Additional Risks and Uncertainties

We are a diversified financial services company. Although we believe our diversity helps lessen the effect when downturns affect any one segment of our industry, it also means our earnings could be subject to different risks and uncertainties than the ones discussed herein. If any of the risks that we face actually occur, irrespective of whether those risks are described in this section or elsewhere in this report, our business, financial condition and operating results could be materially adversely affected.

#### Item 1B. Unresolved Staff Comments.

Not applicable.

Table of Contents

## Item 2. Properties.

Our corporate headquarters are located at 18872 MacArthur Blvd., First Floor, Irvine, California 92612. Our wholly owned subsidiary, NCS, leases approximately 11,000 sq. ft. of general office space, which we occupy, with monthly rent of approximately \$17,650. The lease expires on June 30, 2015. In addition, in December of 2012, NCS signed a two year lease (expiring December 31, 2014) for office space in New York, New York for \$9,261 per month. Further, in May of 2013, NCS entered into a long-term lease agreement for office space in Chicago, Illinois commencing on June 1, 2013 and ending on November 30, 2018 for \$5176 per month. Lastly, in April of 2014, NCS made an offer to sublease a new office in New York, New York, which is pending approval by the master landlord.

We believe our current office space is adequate for our immediate needs; however, as our operations expand, we may need to locate and secure additional office space. Further, NCS continues to evaluate additional locations throughout the United States for opening offices and as stated above is currently looking to move its New York headquarters to larger space.

The annual lease payments due pursuant to current lease agreements are as follows:

Year Ending December 31,	Amount
2014	\$ 385,239
2015	172,073
2016	65,894
2017	67,873
2018	63,921
Total	\$ 755,000

## Item 3. 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 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.

## Table of Contents

### 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.

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

### American International Industries v. Rubicon

On August 19, 2011, American International Industries, Inc. (“AMIN”) obtained a default judgment against us in Cause No. 2010-14604 in the 281st Judicial Court of Harris County, Texas.

On October 1, 2012, the Court signed an Interlocutory Judgment granting our bill of review in Cause No. 2011-75606, which set aside the default judgment, ordered a trial on the merits of the underlying suit to be held in Cause No. 2011-75606, and ordered a realignment of the parties with AMIN as Plaintiff and us as Defendant.

On April 26, 2013, the Court was made aware of a confidential settlement on all matters between us and AMIN, their agents, officers, directors, employees, representatives, and assigns as it relates to Cause Nos. 2011-75606 and 2010-14604.

In accordance with the settlement agreement, on June 4, 2013 the Court entered a final judgment ordering the following:

1. The default judgment signed on August 19, 2011 in Cause No. 2010-14606 is vacated;
2. AMIN is issued a take nothing judgment on the merits of the underlying lawsuit;
3. The judgment is final, disposes of all claims and parties, and is appealable; and
4. Any relief not expressly granted is denied.

## Table of Contents

### Scott Arbitration

Newport Coast Securities was a party to an arbitration claim from a former employee for wrongful termination and harassment. It was our belief that the claim had no merit and nothing had been accrued in relation to this claim. In February of 2013, a FINRA arbitration panel issued an order awarding \$300,000 in compensatory damages and \$125,863 in attorney's fees to the former employee. Arbitration fees of \$19,650 have also been incurred. A total of \$445,513 has been recorded as an accrued liability as of December 31, 2012 and legal settlement expense of \$425,863 has been recorded in the year ended December 31, 2012.

The award was paid on or about February 26, 2013.

We utilized the \$426,000 in proceeds from the sale of Series B Preferred Stock to contribute capital into Newport Coast Securities, Inc. Accordingly, the regulatory capital of Newport Coast Securities, Inc. did not change as a result of the award.

### NCS FINRA Wells Notice

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

### 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 \$199,000 and \$472,500 as of December 31, 2013 and 2012, respectively, for these matters, which is included on our Consolidated Balance Sheet. Management feels it is unlikely that any expense associated with current litigation or arbitrations would exceed the amount accrued.

### Item 4. Mine Safety Disclosures.

Not applicable.





Table of Contents

## PART II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

## (a) Market Information

Our Common Stock traded sporadically on the over-the-counter bulletin board market (OTC:BB) through February of 2011 and currently trades on the OTCQB under the symbol RBCF. Our common stock has traded infrequently on the OTCQB, which limits our ability to locate accurate high and low bid prices for each quarter within the last two fiscal years. Therefore, the following table lists the available quotations for the high and low bid prices for the fiscal years 2013 and 2012. The quotations reflect inter-dealer prices without retail mark-up, markdown, or commissions and may not represent actual transactions.

	2013		2012	
	High	Low	High	Low
1st Quarter	\$ 0.30	\$ 0.12	\$ 0.28	\$ 0.14
2nd Quarter	\$ 0.36	\$ 0.25	\$ 0.40	\$ 0.20
3rd Quarter	\$ 0.38	\$ 0.20	\$ 0.42	\$ 0.15
4th Quarter	\$ 0.23	\$ 0.18	\$ 0.38	\$ 0.15

## (b) Holders of Common Stock

As of April 9, 2014, there were approximately 463 holders of record of our Common Stock and 23,089,026 shares outstanding. As of April 9, 2014, the closing price of our shares of common stock on the OTCQB was \$0.30 per share.

## (c) Dividends

In the future we intend to follow a policy of retaining earnings, if any, to finance the growth of the business and do not anticipate paying any cash dividends in the foreseeable future. The declaration and payment of future dividends on the Common Stock will be the sole discretion of board of directors and will depend on our profitability and financial condition, capital requirements, statutory and contractual restrictions, future prospects and other factors deemed relevant.

## (d) Securities Authorized for Issuance under Equity Compensation Plans

## 2007 Stock Option Plan

The Board of Directors approved the 2007 stock option plan on February 1, 2007 and our stockholders ratified the plan at our 2007 annual stockholder meeting. The total number of options that can be granted under the plan is not to exceed 2,500,000 shares.

The purpose of the 2007 stock option plan is to enhance the long-term stockholder value by offering opportunities to our directors, employees, officers, consultants and independent contractors (collectively the "Participants") and our subsidiaries to acquire and maintain stock ownership in Rubicon Financial. The plan seeks to accomplish this purpose by enabling specified persons to purchase shares of our common stock, thereby increasing their proprietary interest in our success and encouraging them to remain in the employ or service of us.

## Terms of Stock Option Awards

The Committee has the authority in its sole discretion to grant stock option awards as incentive stock options or non-qualified stock options, as appropriate. The following are a summary of terms that will apply to any stock option awards granted under the 2007 Plan, unless otherwise amended or decided upon by the Committee:

- (a) Exercise price per share for each share a Participant is entitled to purchase under a nonqualified option will be determined by the Committee. The exercise price per share for each share a Participant is entitled to purchase under an incentive stock option shall be determined by the Committee but will not be less than Fair Market Value Per Share on the grant date. However, Incentive Stock Options issues to 10% or more holders shall be issued at no less than 110% of Fair Market Value.
- (b) The consideration to be paid for the shares to be issued upon the exercise of an option shall be determined by the Committee and may consist of cash, shares of our common stock, such other cashless basis, or such other consideration and method permitted under the applicable state and federal laws.
- (c) Each option granted shall be exercisable at such times and under conditions determined by the Committee. However, in no event, shall an option be exercisable after 10 years from the grant date or 5 years from the grant date if the Participant owns more than 10% of the total combined voting power of all classes of stock of Rubicon Financial or its subsidiaries on the grant date.

## Table of Contents

- (d) If a Participant ceases to be employed by us for any reason other than disability or cause, Participant's options will expire no later than 6 months thereafter. During those six months, Participant may exercise any option granted to him but only those that were exercisable on the date of termination.
- (e) If a Participant ceases to be employed by Rubicon Financial due to a disability, as defined by the Section 22(e)(3) of the Code, the Participant's options will expire no later than 1 year thereafter. During that year, Participant may exercise any option granted but only those that were exercisable on the date termination due to the disability.
- (f) If a Participant is terminated by us for cause (as defined in the 2007 Plan), the Participant's options shall expire immediately, unless the Committee in its sole discretion within 30 days of such termination waive the expiration through written notice to the Participant.

To the extent that the right to purchase shares under a stock option award has vested, in order to exercise the stock option the Participant must execute and deliver to Rubicon Financial a written stock option exercise agreement or notice in a form and in accordance with procedures established by the Committee. In addition, the full exercise price of the option must be delivered to Rubicon Financial and must be paid in a form acceptable to the Committee.

In the event of a change of control (as defined in the stock option plan), the date on which all options outstanding under the stock option plan may first be exercised will be accelerated. Generally, all options terminate 90 days after a change of control.

As of December 31, 2013, we did not have any options outstanding under this plan.

### 2007 Acquisition Stock Plan

On April 16, 2007, our Board of Directors established the 2007 Stock Acquisition Plan, (the "Acquisition Plan") which expires on April 15, 2017 and our stockholders ratified the plan at our 2007 annual stockholder meeting. This plan provides that a maximum of 5,000,000 shares of common stock will be available for grant or issuance. Our Board of Directors determined that it would be in our best interest to adopt and approve a plan that provides incentives in conjunction with the acquisitions of additional businesses and lines of businesses.

The purpose of the Acquisition Plan is to provide officers and other employees of an acquired business with opportunities to purchase Rubicon Financial stock pursuant to options as well as to provide directors, officers, employees, and consultants of an acquired business opportunities to make direct purchases of restricted common stock of Rubicon Financial. It is intended that some of options granted under this plan will qualify as Incentive Stock Options under Section 422 of the Code and other options will be considered Non-Qualified Options.

### Individual Participant Limitation

The number of shares of common stock for which an option may be granted in any single fiscal year will not exceed 750,000 shares. In the event an option is cancelled, the cancelled option will continue to be counted against the individual limit.

### Incentive Stock Options

If an Incentive Stock Option is granted by the Committee, the price per share relating to such option will not be less than the fair market value of the common stock on the grant date. If the Incentive Stock Option is granted to an employee owning more than 10% of the total combined voting power of all classes of our stock, the price per share will not be less than 110% of the fair market value of common stock on the grant date. Furthermore, the aggregate fair market value of common stock of an Incentive Stock Option granted to an employee must not exceed \$100,000 during a calendar year.

## Restricted Stock

Each grant of restricted stock under the Acquisition Plan will be executed by a “Restricted Stock Agreement” in such form as the Committee decides. The Committee will determine the number of shares to be issued to an eligible person and whether it will be issued in exchange for cash, other consideration, or both. Shares issued pursuant to the Restricted Stock Agreement must be held by the person granted to for a period of time determined by the Committee. Rubicon Financial will have the option to repurchase the common stock at a price determined in the agreement if (i) the individual’s employment terminated before the end of the restricted period, (ii) if the individual has not paid to us the amount required by federal, state, local or foreign income, or other taxes which we determine is required, or (iii) any other circumstances determined by the Committee.

As of December 31, 2013, we issued 1,868,750 shares of restricted stock under the 2007 stock acquisition plan.

## Table of Contents

### Recent Sales of Unregistered Securities

On April 2, 2014, we conducted the second closing under a private placement offering selling 3,666,668 units for \$550,000 to four accredited investors. Each unit consists of one share of common stock and one five year warrant to purchase one share of common stock for \$0.25 per share.

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

### Issuer Purchases of Equity Securities

We did not repurchase any of our equity securities during the year ended December 31, 2013.

### Item 6. Selected Financial Data.

On February 21, 2014, our Board of Directors concluded that the following financial statements could no longer be relied upon: (i) financial statements as of December 31, 2012, 2011, 2010, 2009 and 2008 and related auditors' reports thereon, as well as related financial statement data for all years contained in our Annual Reports on Form 10-K for the years ended December 31, 2012, 2011, 2010, 2009 and 2008, and (ii) quarterly financial statements contained in our Quarterly Reports on Form 10-Q for the quarters commencing on June 30, 2008 through September 30, 2013.

This conclusion was reached after consideration of guidance received from the Securities and Exchange Commission and presentation to our Board of Directors by management of the results of their investigation and analysis as to whether the accounting for the acquisition of the \$2,403,671 customer list acquired as part of the June 2, 2008 acquisition of Grant Bettingen, Inc., now known as Newport Coast Securities, Inc. (the "Bettingen Acquisition"), should be accounted for and reported as an amortizable intangible asset with a five-year fixed life or non-amortized intangible asset with an indeterminable life, as originally reported, in the Registrant's consolidated financial statements. Management's analysis was also discussed with Samyn & Martin, LLC ("S&M"), our independent registered public accounting firm.

Our management has concluded that the above referenced customer list should have been accounted for and reported as an identifiable intangible asset – customer list and amortized over a five-year period for the periods from June 30, 2008 through June 30, 2013. Pursuant to this conclusion, the financial statements included in our Annual Reports on Form 10-K for the years ended December 31, 2012, 2011, 2010, 2009 and 2008, and for the three quarters of 2013 have been restated to correct this error as part of this Report.

Upon acquisition in 2008, we had determined that this asset had an indeterminate life and we did not amortize the asset, but only tested it for impairment each year. No impairments were ever taken on the asset. We have concluded that this was an error and that the asset should have been amortized over the estimated useful life of five years. The correction of the error amortized the \$2,403,671 asset over the five year estimated useful life starting with the date of acquisition in June of 2008 and running through May of 2013.

For the year ended 2008, this created \$280,428 of amortization expense and lowered the intangible asset and retained earnings from what was originally shown on the December 31, 2008 balance sheet by \$280,428, in total, respectively. Net loss for the year ended December 31, 2008 was \$280,428 higher than what was originally reported.

For the year ended 2009, this created \$480,734 of amortization expense and lowered the intangible asset and retained earnings from what was originally shown on the December 31, 2009 balance sheet by \$761,162, in total, respectively. Net loss for the year ended December 31, 2009 was \$480,734 higher than what was originally reported.

For the year ended 2010, this created \$480,734 of amortization expense and lowered the intangible asset and retained earnings from what was originally shown on the December 31, 2010 balance sheet by \$1,241,897, in total, respectively. Net loss for the year ended December 31, 2010 was \$480,734 higher than what was originally reported.

For the year ended 2011, this created \$480,734 of amortization expense and lowered the intangible asset and retained earnings from what was originally shown on the December 31, 2011 balance sheet by \$1,722,631, in total, respectively. Net loss for the year ended December 31, 2011 was \$480,734 higher than what was originally reported.

Table of Contents

For the year ended 2012, this created \$480,734 of amortization expense and lowered the intangible asset and retained earnings from what was originally shown on the December 31, 2012 balance sheet by \$2,203,365, in total, respectively. Net income for the year ended December 31, 2012 was \$480,734 lower than what was originally reported. As of December 31, 2012, the asset had a balance of \$200,307, net of accumulated amortization. This remaining balance is amortized in the year ended December 31, 2013 so that the asset is fully amortized and has a \$0 balance, net of accumulated amortization, as of December 31, 2013.

The restated financial statements for 2008, 2009, 2010, 2011 and 2012 are shown below.

The restated 2012 financials are also shown in the financial statements presented in Item 8 on a comparative basis with the financial statements for the year ended December 31, 2013.

Table of Contents

Rubicon Financial Incorporated  
Consolidated Balance Sheets – ALL YEARS RESTATED

	December 31,				
	2012	2011	2010	2009	2008
Assets					
Current assets:					
Cash	\$ 1,785,736	\$ 1,420,189	\$ 1,048,729	\$ 746,885	\$ 212,657
Cash - restricted	161,802	311,817	311,775	311,670	201,571
Marketable securities	60,493	55,864	193,633	508,428	530,380
Accounts receivable	402,708	527,019	839,601	683,412	481,523
Prepaid expenses	28,705	42,390	158,194	123,402	41,311
Notes receivable	66,235	69,941	134,276	124,202	124,202
Interest receivable	-	-	15,988	12,358	4,906
Contract advances, current portion	113,559	85,004	54,838	-	-
Total current assets	2,619,238	2,512,224	2,757,034	2,510,357	1,596,550
Fixed assets, net of accumulated depreciation	26,017	41,019	60,557	84,213	136,159
Other assets:					
Contract advances	104,164	100,218	-	154,445	277,197
Capitalized financing costs	21,000	-	-	-	-
Deposits	11,916	14,607	11,917	39,471	38,554
Intangible asset – customer list, net of accumulated depreciation	200,307	681,041	1,161,775	1,678,509	2,159,243
Total other assets	337,387	795,866	1,173,692	1,872,425	2,474,994
Total assets	\$ 2,982,642	\$ 3,349,109	\$ 3,991,283	\$ 4,466,995	\$ 4,207,703
Liabilities and Stockholders' Equity					
Current liabilities					
Accounts payable	\$ 840,681	\$ 725,380	\$ 479,577	\$ 525,896	\$ 242,335
Accrued expenses	557,139	805,778	998,130	1,076,983	583,437
Investment obligation	487,000	487,000	487,000	487,000	487,000
Deferred revenue	-	6,042	191,193	74,014	147,367
Capital lease obligation	-	-	-	-	12,223
Line of credit	200,000	200,000	-	100,000	-
Note payable, current portion	254,335	67,270	133,082	42,000	-
Note payable and accrued interest – related party	-	-	-	5,213	4,500
Accrued legal settlement	445,513	2,030,114	-	-	-
Contingent liabilities	472,500	421,350	681,359	-	-
Total current liabilities	3,257,168	4,742,934	2,970,341	2,311,106	1,476,862
Long term liabilities					
Note payable	509,409	51,428	42,320	-	-
Stockholders' equity**					
Preferred stock, \$0.001 par value, 10,000,000					



shares authorized, 62,500 shares issued and outstanding as of December 31, 2012,						
2011, 2010, 2009, and 2008	63	63	63	63	63	63
Common stock, \$0.001 par value, 100,000,000 shares authorized, 15,089,023, 14,714,023, 14,048,023, 14,098,023, 11,976,773 issued and outstanding as of December 31,						
2012, 2011, 2010, 2009 and 2008	15,089	14,714	14,047	14,097	11,977	
Common stock owed but not issued, 250,000, 525,000, 1,000,000, none, and 499,790 shares as of December 31, 2012, 2011, 2010, 2009 and 2008	250	525	1,000	-	498	
Additional paid-in capital	18,433,990	18,394,090	18,259,444	18,113,350	17,971,575	
Unamortized shares issued for services	-	-	-	-	(433,108)	
Other comprehensive income (loss)	29,599	29,599	70,838	(814,624)	(611,861)	
Accumulated (deficit)	(19,262,926)	(19,884,244)	(17,366,770)	(15,156,997)	(14,208,303)	
Total stockholders' equity (deficit)	(783,935)	(1,445,253)	978,622	2,155,889	2,730,841	
Total Liabilities and Stockholders' Equity	\$ 2,982,642	\$ 3,349,109	\$ 3,991,283	\$ 4,466,995	\$ 4,207,703	

Table of Contents

Rubicon Financial Incorporated  
Consolidated Statements of Operations – ALL YEARS RESTATED

	2012	2011	December 31, 2010	2009	2008
Revenue	\$ 14,572,106	\$ 15,311,941	\$ 14,291,411	\$ 12,400,188	\$ 4,912,090
Expenses:					
Commissions and other direct costs	11,456,901	12,261,299	11,850,847	9,520,289	3,773,120
Consulting	110,487	371,944	363,853	293,115	14,317
Professional fees	701,619	308,070	861,044	877,422	273,378
Executive compensation	694,890	624,816	515,000	856,663	3,688,914
General and administrative expenses	2,284,135	2,171,503	1,885,971	1,738,754	2,149,095
Depreciation	17,980	27,038	41,550	51,468	37,578
Total expenses	15,266,012	15,764,670	15,518,265	13,337,711	9,936,402
Net operating income (loss)	(693,906)	(452,729)	(1,226,854)	(937,523)	(5,024,312)
Other income (expense):					
Interest expense	(30,810)	(18,775)	(24,488)	(28,671)	(15,040)
Interest income	9,783	26,033	18,126	17,500	48,198
Other income	-	29,742	64,201	-	121,200
Realized losses on investments	-	46,869	(1,151,915)	-	(73,403)
Other income	-	-	-	-	(136,390)
Loss on uncollectable note receivable	-	(118,500)	-	-	-
Gain on disposal of subsidiary	-	-	156,554	-	-
Legal settlement income (expense)	1,336,251	(2,030,114)	-	-	-
Total other income (expense)	1,315,224	(2,064,745)	(937,522)	(11,171)	(55,435)
Net income (loss) from continued operations	621,318	(2,517,474)	(2,164,376)	(948,694)	(5,079,747)
Net income (loss) from discontinued operations	-	-	(45,397)	-	-
Net income (loss)	\$ 621,318	\$ (2,517,474)	\$ (2,209,773)	\$ (948,694)	\$ (5,079,747)
Other comprehensive income (loss):					
Adjustment to record other than temporary losses	\$ -	\$ 46,869	\$ 1,151,915	\$ -	\$ -
Unrealized gains (losses) on securities	-	(88,108)	(266,453)	(202,763)	(252,861)
Total other comprehensive income (loss)	-	(41,239)	885,462	(202,763)	(252,861)

Net comprehensive income (loss)	\$	621,318	\$	(2,558,713)	\$	(1,324,311)	\$	(1,151,457)	\$	(5,332,608)
---------------------------------	----	---------	----	-------------	----	-------------	----	-------------	----	-------------

Weighted average number of

Common shares outstanding –

basic		15,018,612		14,695,667		14,085,283		12,715,475		11,487,102
-------	--	------------	--	------------	--	------------	--	------------	--	------------

– diluted		15,268,612		N/A		N/A		N/A		N/A
-----------	--	------------	--	-----	--	-----	--	-----	--	-----

Net income (loss) per share – basic	\$	0.04	\$	(0.17)	\$	(0.16)	\$	(0.07)	\$	(0.44)
-------------------------------------	----	------	----	--------	----	--------	----	--------	----	--------

– diluted	\$	0.04	\$	N/A	\$	N/A	\$	N/A	\$	N/A
-----------	----	------	----	-----	----	-----	----	-----	----	-----

Table of Contents

Rubicon Financial Incorporated  
Consolidated Statements of Cash Flows – ALL YEARS RESTATED

	2012	2011	December 31, 2010	2009	2008
Cash flows from operating activities					
Net income (loss)	\$ 621,318	\$ (2,517,474)	\$ (2,164,376)	\$ (948,694)	\$ (5,079,747)
Net income (loss) from discontinued operations	-	-	(45,397)	-	-
Adjustments to reconcile net (loss) to net cash provided (used) in operating activities:					
Depreciation expense	17,980	27,038	42,044	51,468	37,578
Shares issued for services	40,000	151,250	150,000	111,493	737,764
Realized losses on investments	-	46,869	1,151,915	-	-
Loss on uncollectible notes receivable	-	118,500	-	-	-
Legal settlement (income) expense	(1,336,251)	2,030,114	-	-	-
Gain on disposal of subsidiary	-	-	(156,554)	-	-
Minority interest losses	-	-	-	-	73,403
Amortization of equity based comp	-	-	-	433,108	2,445,305
Amortization of intangible asset – customer list	480,734	480,734	480,734	480,734	280,428
Changes in operating assets and liabilities:					
Accounts receivable	124,311	312,582	(149,608)	(201,889)	(161,491)
Prepaid expenses	13,685	115,804	(53,397)	(82,091)	(5,858)
Accrued interest receivable	-	(3,685)	(3,630)	(7,452)	(4,906)
Deposits and other assets	(50,810)	(133,074)	127,161	121,835	(21,200)
Accounts payable and accrued liabilities	(330,537)	(204,558)	628,680	802,383	293,669
Investment obligation	-	-	-	-	383,000
Accrued interest payable – related party	-	-	-	713	(11,239)
Deferred revenue	(6,042)	(185,151)	191,193	(73,353)	112,257
Net cash provided (used) by operating activities	(425,612)	238,949	198,765	688,255	(921,037)
Net cash provided (used) by operating activities – discontinued operations	-	-	14,472	-	-
	(425,612)	238,949	212,237	688,255	(921,037)
Cash flows from investing activities					
Payments received on notes receivable, net	3,706	44,667	8,963	-	798

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

Issuance of notes receivable	-	(95,571)	(19,037)	-	-
Purchase of fixed assets	(2,979)	(7,500)	(20,388)	(12,894)	(68,281)
Proceeds from disposal of sub	-	-	19,000	-	-
Distribution of assets – related party	-	-	-	-	89,706
Purchase of intangible assets	-	-	-	-	(1,103,420)
Proceeds from (purchase of) investments	(4,629)	47,661	48,342	(180,811)	(121,200)
Net cash provided (used) by investing activities	(3,902)	(10,743)	36,880	(193,705)	(1,202,397)
Net cash provided (used) by investing activities – discontinued operations	-	-	15,000	-	-
	(3,902)	(10,743)	51,880	(193,705)	(1,202,397)
<b>Cash flows from financing activities</b>					
Proceeds on line of credit	-	200,000	-	100,000	-
Payment on line of credit	-	-	(100,000)	-	-
Contributed capital	-	-	-	20,000	-
Cash acquired in merger	-	-	-	-	388,610
Preferred stock for cash	-	-	-	-	112,500
Common stock for cash	-	-	-	-	144,000
Proceeds from notes payable	726,500	100,000	200,000	42,000	-
Payments on Notes payable	(81,454)	(156,704)	(48,098)	(12,223)	-
Net cash provided by financing activities	645,046	143,296	51,902	149,777	645,110
Net cash provided by financing activities – discontinued operations	-	-	(15,070)	-	-
	645,046	143,296	36,832	149,777	645,110
Net increase (decrease) in cash	215,532	371,502	301,949	644,327	(1,478,324)
Cash – beginning of year	1,732,006	1,360,504	1,058,555	414,228	1,892,541
Cash – end of year	\$ 1,947,538	\$ 1,732,006	\$ 1,360,504	\$ 1,058,555	\$ 414,217
<b>Supplemental disclosures:</b>					
Interest paid	\$ 30,810	\$ 18,775	\$ 22,199	\$ 21,066	\$ 6,457
Income taxes paid	\$ -	\$ -	\$ 800	\$ 800	\$ 800
<b>Non-cash financing activities:</b>					
Shares issued for services	\$ 40,000	\$ 151,250	\$ 150,000	\$ 111,493	\$ 737,764
Shares issued for accounts payable	\$ -	\$ -	\$ 50,000	\$ 11,904	\$ -
Shares issued for acquisition	\$ -	\$ -	\$ -	\$ -	\$ 1,680,000
Notes receivable settled with return of shares	\$ -	\$ 16,412	\$ -	\$ -	\$ -

Table of Contents

Rubicon Financial Incorporated  
Consolidated Statement of Changes in Stockholders' Equity – ALL YEARS RESTATED

	Preferred Stock		Common Stock		Common Stock owed		Additional Paid in Capital	Unamortized Compensation	Other Comprehensive Income	Accumulated (Debit)
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, January 1, 2008	-	\$ -	10,724,273	\$ 10,724	644,790	\$ 559	\$ 15,077,054	\$ (2,878,413)	\$ (359,000)	\$ (9,000)
Shares issued that were owed	-	-	45,000	45	(45,000)	(45)	-	-	-	-
Shares issued for cash, net	-	-	85,000	85	-	-	143,915	-	-	-
Preferred issued for cash, net	62,500	63	-	-	-	-	112,437	-	-	-
Shares authorized for services	-	-	22,500	23	-	-	37,977	-	-	-
Options issued for compensation	-	-	-	-	-	-	699,764	-	-	-
Cancellation of shares	-	-	(100,000)	(100)	(100,000)	(16)	116	-	-	-
Amortization of shares issued	-	-	-	-	-	-	-	2,445,305	-	-
Shares issued for acquisition	-	-	1,200,000	1,200	-	-	1,678,800	-	-	-
Forgiveness of related party debt	-	-	-	-	-	-	221,512	-	-	-
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	(252,861)	-
Net (loss) for the year ended December 31, 2008	-	-	-	-	-	-	-	-	-	(5,000)
Balance, December 31, 2008	62,500	\$ 63	11,976,773	\$ 11,977	499,790	\$ 498	\$ 17,971,575	\$ (433,108)	\$ (611,861)	\$ (14,000)
Shares issued that were owed	-	-	500,000	498	(499,790)	(498)	-	-	-	-
Shares issued for accounts payable	-	-	150,000	150	-	-	11,754	-	-	-

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

Shares issued for services	-	-	1,471,250	1,472	-	-	110,021	-	-	
Forgiveness of Related party debt	-	-	-	-	-	-	20,000	-	-	
Amortization of shares issued	-	-	-	-	-	-	-	433,108	-	
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	(202,763)	
Net (loss) for the year ended December 31, 2009	-	-	-	-	-	-	-	-	-	
Balance, December 31, 2009	62,500	63	14,098,023	14,097	-	-	18,113,350	-	(814,624)	(15,
Shares issued for accounts payable	-	-	-	-	250,000	250	49,750	-	-	
Shares issued for services	-	-	-	-	750,000	750	149,250	-	-	
Shares cancelled	-	-	(50,000)	(50)	-	-	(52,906)	-	-	
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	885,462	
Net (loss) for the year ended December 31, 2010	-	-	-	-	-	-	-	-	-	(2,
Balance, December 31, 2010	62,500	63	14,048,023	14,047	1,000,000	1,000	18,259,444	-	70,838	(17,
Shares issued that were owed	-	-	850,000	850	(850,000)	(850)	-	-	-	
Shares authorized but cancelled	-	-	-	-	(150,000)	(150)	150	-	-	
Shares authorized for services	-	-	-	-	525,000	525	150,725	-	-	
Note receivable settled with return of shares	-	-	(184,000)	(183)	-	-	(16,229)	-	-	
Other comprehensive	-	-	-	-	-	-	-	-	(41,239)	

income (loss)											
Net (loss) for the year ended December 31, 2011	-	-	-	-	-	-	-	-	-	-	(2,
Balance, December 31, 2011	62,500	63	14,714,023	14,714	525,000	525	18,394,090	-	29,599	(19,	
Shares issued that were owed	-	-	275,000	275	(275,000)	(275)	-	-	-	-	
Shares issued for services	-	-	100,000	100	-	-	39,900	-	-	-	
Net (loss) for the year ended December 31, 2012	-	-	-	-	-	-	-	-	-	-	
Balance, December 31, 2012	62,500	63	15,089,023	15,089	250,000	250	18,433,990	-	29,599	(19,	



## Table of Contents

### Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

We are a financial service holding company operating primarily through our wholly-owned subsidiary, Newport Coast Securities, Inc. ("NCS"), a private brokerage firm registered with the Financial Industry Regulatory Authority ("FINRA") providing retail brokerage services and investment banking.

We also have a non-operating subsidiary, Dial-A-Cup, Inc. ("DAC"), which has developed a hot-water dispensing system that will brew one fresh cup of coffee, tea, hot chocolate, soup, etc. on demand. On July 31, 2007, we entered into a Separation and Distribution Agreement with DAC, whereby we agreed to spin-out at least 50% of the shares of DAC common stock owned by us to our 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.

#### Overview of Financial Services

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.

#### Market and Economic Conditions.

During 2013, global market and economic conditions showed improvement from 2012, though significant uncertainty remained. Investor sentiment was boosted by encouraging signs of improvement in the global economy during the second half of 2013. The U.S. economy continued its moderate growth pace, but while as a whole the recession in the euro-area came to an end, significant pockets of slow or negative growth remained in Europe. During 2013, global market and economic conditions were also challenged by investor concerns about the U.S. longer-term budget outlook and the scaling back of monetary stimulus, the remaining European sovereign debt issues and slowing economic growth in emerging markets. Shorter-term concerns over the U.S. budget standoff were resolved in late 2013 as Congress came to a tentative agreement on federal government funding for the next two fiscal years. The agreement was in response to a shut-down of the U.S. federal government that lasted for 16 days during October 2013. Elsewhere, especially in parts of Europe, growth remains stymied by fiscal and longer-term structural issues in the economy.

In the U.S., major equity market indices ended the year significantly higher compared with year-end 2012. The U.S. economy continued its moderate growth pace in 2013. Labor market conditions improved as the unemployment rate declined to 6.7% at December 31, 2013 from 7.9% at December 31, 2012. Consumer spending and business investment advanced during 2013. The housing market generally strengthened in 2013, although rising mortgage rates have resulted in recent softness in housing starts and home sales. Apart from fluctuations due to changes in energy prices, inflation has been running below the Federal Reserve's longer-run objective, but longer-term inflation expectations have remained stable. The Federal Open Market Committee ("FOMC") of the Federal Reserve kept key interest rates at historically low levels. At December 31, 2013, the federal funds target rate remained between 0.0% and 0.25%, and the discount rate remained at 0.75%. Earlier in 2013 concerns about the Federal Reserve's plan to scale back its monetary stimulus plan caused investors to sell off holdings. Subsequently, the FOMC announced in December that it would be decreasing its purchases of Treasury and mortgage-backed securities in January 2014. The

continuing U.S. recovery, though tepid, is also relieving some of the pressure on the federal budget experienced during the past several years.

#### Restatement of Prior Periods

In our annual report filing for December 31, 2012 and three 10-Q filings for the year ended December 31, 2013, we inadvertently reflected a \$2,403,671 asset as “Goodwill”. The asset in question had been shown as an “Intangible asset – customer lists” on all of our previous filings and was, in fact, an intangible asset for customer lists/relationships acquired in the 2008 acquisition of Newport Coast Securities (See Note 4 to our financial statements).

Upon acquisition in 2008, we had determined that this asset had an indeterminate life and we did not amortize the asset, but only tested it for impairment each year. No impairments were ever taken on the asset. We have concluded that this was an error and that the asset should have been amortized over the estimated useful life of five years. The correction of the error amortized the \$2,403,671 asset over the five year estimated useful life starting with the date of acquisition in June of 2008 and running through May of 2013.

Table of Contents

For the year ended 2008, this created \$280,428 of amortization expense and lowered the intangible asset and retained earnings from what was originally shown on the December 31, 2008 balance sheet by \$280,428, in total, respectively. Net loss for the year ended December 31, 2008 was \$280,428 higher than what was originally reported.

For the year ended 2009, this created \$480,734 of amortization expense and lowered the intangible asset and retained earnings from what was originally shown on the December 31, 2009 balance sheet by \$761,162, in total, respectively. Net loss for the year ended December 31, 2009 was \$480,734 higher than what was originally reported.

For the year ended 2010, this created \$480,734 of amortization expense and lowered the intangible asset and retained earnings from what was originally shown on the December 31, 2010 balance sheet by \$1,241,897, in total, respectively. Net loss for the year ended December 31, 2010 was \$480,734 higher than what was originally reported.

For the year ended 2011, this created \$480,734 of amortization expense and lowered the intangible asset and retained earnings from what was originally shown on the December 31, 2011 balance sheet by \$1,722,631, in total, respectively. Net loss for the year ended December 31, 2011 was \$480,734 higher than what was originally reported.

For the year ended 2012, this created \$480,734 of amortization expense and lowered the intangible asset and retained earnings from what was originally shown on the December 31, 2012 balance sheet by \$2,203,365, in total, respectively. Net income for the year ended December 31, 2012 was \$480,734 lower than what was originally reported. As of December 31, 2012, the asset had a balance of \$200,307, net of accumulated amortization. This remaining balance is amortized in the year ended December 31, 2013 so that the asset is fully amortized and has a \$0 balance, net of accumulated amortization, as of December 31, 2013.

The restated financial statements for 2008, 2009, 2010, 2011 and 2012 are shown in Item 6, “Selected Financial Data”, on this Report. The restated 2012 financials are shown in the financial statements presented in Item 8 on a comparative basis with the financial statements for the year ended December 31, 2013.

The following table sets forth the changes to the balance sheet at December 31, 2012 due to the restatement (amounts shown in thousands):

	Originally reported	Change	As Restated
Current assets	\$ 2,619	\$ -	\$ 2,619
Other non-current assets	163	-	163
Intangible asset – Customer lists	2,403	(2,203 ) (1)	200
Total Assets	5,186	(2,203 ) (1)	2,982
Liabilities	3,767	\$ -	3,767
Stockholders’ equity (deficit)	1,419	\$ (2,203 ) (1)	(784 )
Total liabilities and Stockholder’s equity (deficit)	\$ 5,186	\$ (2,203 ) (1)	\$ 2,982

(1) = decrease in intangible asset and retained earnings (deficit) due to \$2,203,365 of amortization in the years 2008, 2009, 2010, 2011, and 2012.

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

The following table sets forth the changes to the income statement for the year ended December 31, 2012 due to the restatement (amounts shown in thousands except for net income per share data):

	Originally reported	Changes	As Restated
Revenue	\$ 14,572	\$ -	\$ 14,572
Expenses	14,785	481	15,266
Net operating loss	(213 )	(481 )	(694 )
Other income (expense)	1,315	-	(2) 1,315
Net income	1,102	(481 )	(2) 621
Net income per share - basic	\$ 0.07		\$ 0.04
Net income per share - diluted	\$ 0.07		\$ 0.04

(2) = increase in expense due to \$480,734 of amortization expense relating to the intangible asset being amortized.

Table of Contents

## Results of Operations

The following tables summarize selected items from the statement of operations for the years ended December 31, 2013 and 2012.

## Revenue:

	Years Ended December 31,		Increase/(Decrease)	
	2013	2012 RESTATED	\$	%
<b>Consolidated</b>				
Revenue	\$ 18,059,664	\$ 14,572,106	\$ 3,487,558	24%
Operating expenses	18,398,429	15,266,012	3,132,417	21%
Net operating income (loss)	\$ (338,765)	\$ (693,906)	\$ (355,141)	(51%)

Our revenues increased 24% during fiscal 2013. The revenue increase for the year over year periods is the result of increases in revenues generated by NCS, primarily due to the substantial increase in investment banking fees and managed fee accounts.

During the year ended December 31, 2013, our operating expenses increased by 21% primarily as a result of relocating NCS's corporate office to New York and increased staffing.

## Sources of Revenues:

	Years Ended December 31,		Increase/(Decrease)	
	2013	2012 RESTATED	\$	%
Commissions	\$ 7,123,676	\$ 6,855,744	\$ 267,932	4%
Investment Banking Fees	5,950,634	3,545,081	2,405,553	24%
<b>Selling Concessions:</b>				
Insurance	1,746,161	2,014,198	(268,037)	(13%)
Mutual Funds	665,170	733,501	(68,331)	(9%)
Managed fee accounts	1,799,226	827,943	971,283	117%
Other income	\$ 774,797	\$ 595,639	\$ 179,158	30%

As can be seen from the table above, during fiscal 2013 we transitioned a large portion of our business from insurance and mutual funds into increased investment banking and managed fee accounts. We anticipate this trend to continue through fiscal 2014.

## Selling and Administrative Expenses:

	Years Ended December 31,		Increase/(Decrease)	
	2013	2012 RESTATED	\$	%
Commissions and other direct costs	\$ 14,039,229	\$ 11,456,901	\$ 2,582,328	23%

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

Professional fees	1,035,145	812,106	223,039	27%
General and administrative expenses	3,105,342	2,498,291	607,051	24%
Depreciation and amortization	218,713	498,714	(280,001)	(56%)
Operating expenses	\$ 18,398,429	\$ 15,266,012	\$ 3,132,417	21%

Operating expenses increased by 21% in 2013 over the previous year ended December 31, 2012. This increase was anticipated as we incurred double digit increases in professional fees (27%), primarily associated with arbitration and litigation matters. In addition, general and administrative expenses increased considerably (24%), as a result of increased staffing and overhead relating to the NCS relocation of its corporate office to New York and increased operations.

Our direct costs are comprised of commissions paid to registered representatives and miscellaneous fees related directly to the generation of revenue. These costs have a direct relationship to our revenue and will generally increase or decrease with changes in revenue.

Table of Contents

## Other income and (expense)

	Years Ended		Increase/(Decrease)	
	2013	December 31, 2012 RESTATEd	\$	%
Consolidated				
Interest (expense)	\$ (113,759)	\$ (30,810)	\$ 82,949	269%
Interest income	341	9,783	(9,442)	(97%)
Legal settlement income (expense)	260,500	1,336,251	(1,075,751)	(81%)

Other income and expense consists of interest earned and expenses, rental income from sub-lease of facilities and our minority interest investments. We experienced a 97% decrease in interest income as a direct result of lower cash balances held in interest bearing accounts. The 269% increase in interest expense primarily relates to interest incurred under our line of credit and a private party loan.

During the year ended December 31, 2012, an accrued legal judgment in the amount of \$2,030,114.40 was set aside. We have accrued a contingent liability for the ongoing litigation in the amount of \$268,000 and recorded a \$425,863 loss in relation to the Scott arbitration, thereby resulting in legal settlement income of \$1,336,251 for the year ended December 31, 2012. During 2013, we settled the ongoing AMIN litigation for \$7,500, thereby reducing the legal settlement income for 2013 to \$260,500.

Satisfaction of our cash obligations for the next 12 months.

As of December 31, 2013, we had available cash of \$846,461. We believe these funds will help support existing operational costs and along with revenues from operations will be sufficient to satisfy our working capital requirements through fiscal 2014. However, if we experience other than ordinary expenses or extraordinary events, we may need to raise additional funds through either equity, including convertible securities such as preferred stock or debentures, or debt financing.

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 in the financial services industry.

Expected purchase or sale of plant and significant equipment.

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

Significant changes in the number of employees.

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

In NCS we have increased our number of employees to a level which satisfies not only our current requirements in an economically sensible manner but allows for growth over the next year. As the economic conditions improve, we anticipate an increase in our staffing levels as a measure to ensure continued growth. As of December 31, 2013, we employed three executives and fifteen 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 generate substantial additional 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 December 31, 2013 compared to December 31, 2012.

	December 31, 2013	December 31, 2012 RESTATEd	Increase / (Decrease)	
			\$	%
Current Assets	\$ 2,306,536	\$ 2,619,238	\$ (312,702)	(12%)
Current Liabilities	2,471,151	3,257,168	(786,017)	(24%)
Working Capital (Deficit)	\$ (164,615)	\$ (637,930)	\$ (473,315)	(74%)

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

We believe the \$846,461 in un-restricted cash on hand at December 31, 2013 will be sufficient to sustain operations through fiscal 2014. However, as we expand operations or experience unforeseen expenditures or other demands on cash, we may need to seek additional funding for operations through equity or debt offerings and may need to further do so in the future through additional financing, acquisitions, joint ventures or other means available to us.

We may continue 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, 2013 and 2012, we evaluated evidence of cancellation in order to make a reliable estimate and determined there were no material cancellations during the years and therefore no allowances have been made.

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

**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, 2013 and 2012.

**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 December 31, 2013, we had approximately \$162,000 in excess of FDIC insured limits. At December 31, 2012, we had approximately \$1,066,000 in excess of FDIC insured limits.

#### Recent Accounting Developments

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

#### Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable.

Table of Contents

Item 8. Financial Statements and Supplementary Data.

Management Responsibility for Financial Information

We are responsible for the preparation, integrity and fair presentation of our financial statements and the other information that appears in this annual report on Form 10-K. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States and include estimates based on our best judgment.

We maintain a comprehensive system of internal controls and procedures designed to provide reasonable assurance, at an appropriate cost-benefit relationship, that our financial information is accurate and reliable, our assets are safeguarded and our transactions are executed in accordance with established procedures.

Samyn & Martin, LLC, an independent registered public accounting firm, is retained to audit our consolidated financial statements. Its accompanying report is based on audits conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

Our entire board of directors meets with our management and the independent registered public accounting firm to ensure that each is properly fulfilling its responsibilities. The board of directors oversees our systems of internal control, accounting practices, financial reporting and audits to ensure their quality, integrity and objectivity are sufficient to protect stockholders' investments.

Index to Financial Statements

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	F-1
<u>Consolidated Balance Sheets at December 31, 2013 and 2012</u>	F-2
<u>Consolidated Statements of Operations for the Years Ended December 31, 2013 and 2012</u>	F-3
<u>Statements of Stockholders' Equity for the Years Ended December 31, 2013 and 2012</u>	F-4
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2013 and 2012</u>	F-5
<u>Notes to Consolidated Financial Statements</u>	F-6

Table of Contents

To the Board of Directors  
Rubicon Financial Incorporated and Subsidiaries  
Newport Beach, California

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have audited the accompanying consolidated balance sheets of Rubicon Financial Incorporated and Subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. Rubicon Financial Incorporated's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits of the financial statements include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Rubicon Financial Incorporated and Subsidiaries as of December 31, 2013 and 2012, and the results of its consolidated operations, stockholders' equity, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Samyn & Martin, LLC  
Samyn & Martin, LLC  
Kansas City, Missouri  
April 14, 2014

Table of Contents

Rubicon Financial Incorporated  
Consolidated Balance Sheets

	December 31,	
	2013	2012 RESTATED
Assets		
Current assets:		
Cash	\$ 846,461	\$ 1,785,736
Cash – restricted	204,011	161,802
Marketable securities	201,921	60,493
Accounts receivable	826,246	402,708
Prepaid expenses	46,828	28,705
Notes receivable, current portion	43,569	66,235
Contracts advances, current portion	137,500	113,559
Total current assets	2,306,536	2,619,238
Fixed assets, net of accumulated depreciation of \$286,753 and \$268,347, respectively		
	63,890	26,017
Other assets:		
Contract advances	96,402	104,164
Capitalized financing costs	16,917	21,000
Deposits	55,438	11,916
Intangible asset – customer lists, net of accumulated amortization	-	200,307
Total other assets	168,757	337,387
Total assets	\$ 2,539,183	\$ 2,982,642
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 404,236	\$ 840,681
Accrued expenses	873,147	557,139
Investment obligation	487,000	487,000
Line of credit	200,000	200,000
Note payable – current portion	307,768	254,335
Accrued legal settlement	-	445,513
Contingent liabilities	199,000	472,500
Total current liabilities	2,471,151	3,257,168
Long term liabilities		
Note payable	334,386	509,409
Redeemable Preferred stock, Series B, \$0.001 par value, 1,000,000 shares authorized, 426,000 issued and outstanding as of December 31, 2013		
	426,000	-
Stockholders' equity		
Preferred stock, \$0.001 par value, 10,000,000 shares authorized, 62,500 shares issued and outstanding	63	63

as of December 31, 2013 and 2012, respectively		
Common stock, \$0.001 par value, 100,000,000 shares authorized, 16,755,691 and 15,089,023 shares issued and outstanding as of December 31, 2013 and December 31, 2012, respectively	16,755	15,089
Common stock owed but not issued, 750,000 and 25,000 shares as of December 31, 2013 and December 31, 2012, respectively	750	250
Additional paid in capital	18,781,824	18,433,990
Other comprehensive gain (loss)	(7,137)	29,599
Accumulated (deficit)	(19,484,609)	(19,262,926)
Total stockholders' equity	(692,354)	(783,935)
Total liabilities and stockholders' equity	\$ 2,539,183	\$ 2,982,642

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

Table of Contents

Rubicon Financial Incorporated  
Consolidated Statements of Operations

	For the Years Ended December 31,	
	2013	2012 RESTATED
Revenue:		
Commissions	\$ 7,123,676	\$ 6,855,744
Investment banking fees	5,950,634	3,545,081
Selling concessions:		
Insurance	1,746,161	2,014,198
Mutual funds	665,170	733,501
Managed fee accounts	1,799,226	827,943
Other income	774,797	595,639
Total revenue	18,059,664	14,572,106
Expenses:		
Commissions and other direct costs	14,039,229	11,456,901
Professional fees	1,035,145	812,106
General and administrative expenses	3,105,342	2,498,291
Depreciation and amortization	218,713	498,714
Total expenses	18,398,429	15,266,012
Net operating income (loss)	(338,765)	(693,906)
Other income (expense):		
Interest expense	(113,759)	(30,810)
Interest income	341	9,783
Legal settlement income (expense)	260,500	1,336,251
Total other income (expense)	147,082	1,315,224
Net income (loss) from continued operations	\$ (191,683)	\$ 621,318
Provision for state income tax	30,000	-
Net income (loss)	\$ (221,683)	\$ 621,318
Other comprehensive income (loss):		
Unrealized gains (losses) realized	(11,684)	-
Unrealized gains (losses) on securities	(25,052)	-
Total other comprehensive income (loss)	(36,736)	-
Net comprehensive loss	\$ (258,419)	\$ 621,318
Weighted average number of common shares		
outstanding – basic	16,205,280	15,018,612
– diluted	N/A	15,268,612

Net income (loss) per share – basic	\$	(0.01)	\$	0.04
– diluted		N/A		0.04

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

F-3

---



Table of Contents

Rubicon Financial Incorporated  
Statements of Changes in Stockholders' Equity

	Preferred Stock		Common Stock		Common Stock owed but not issued		Additional Paid-in Capital	Other Comprehensive Income	Accumulated (Deficit)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, December 31, 2011 (RESTATED)	62,500	\$ 63	14,714,023	\$ 14,714	525,000	\$ 525	\$ 18,394,090	\$ 29,599	\$(19,884,244)	\$(1,445,000)
Shares issued that were owed	-	-	275,000	275	(275,000)	(275)	-	-	-	-
Shares issued for services	-	-	100,000	100	-	-	39,900	-	-	40,000
Net (loss) for the year ended December 31, 2012	-	-	-	-	-	-	-	-	621,318	621,318
Balance, December 31, 2012 (RESTATED)	62,500	\$ 63	15,089,023	\$ 15,089	250,000	\$ 250	\$ 18,433,990	\$ 29,599	\$(19,262,926)	\$(785,000)
Common stock sold for cash	-	-	1,666,668	1,666	500,000	500	347,834	-	-	350,000
Other comprehensive income (loss)	-	-	-	-	-	-	-	(36,736)	-	(36,736)
Net (loss) for the year ended December 31, 2013	-	-	-	-	-	-	-	-	(221,683)	(221,683)
Balance, December 31, 2013	62,500	\$ 63	16,755,691	\$ 16,755	750,000	\$ 750	\$ 18,781,824	\$ (7,137)	\$(19,484,609)	\$(692,000)

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

Table of Contents

Rubicon Financial Incorporated  
Consolidated Statements of Cash Flows

	For the Years Ended December 31,	
	2013	2012 RESTATED
Cash flows from operating activities		
Net income (loss)	\$ (221,683)	\$ 621,318
Adjustments to reconcile net (loss) to net cash (used) in operating activities:		
Depreciation expense	18,406	17,980
Shares issued for services	-	40,000
Amortization of contract advances	198,821	-
Amortization of notes receivable	21,667	-
Amortization of capitalized financing costs	4,083	-
Amortization of intangible asset – customer list	200,307	480,734
Reversal of AMIN lawsuit accrual	(268,000)	(1,336,251)
Changes in operating assets and liabilities:		
Accounts receivable	(423,537)	124,311
Contract advances	(215,000)	(32,501)
Prepaid expenses	(18,124)	13,685
Deposits and other assets	(43,522)	(18,309)
Accounts payable and accrued liabilities	(571,449)	(330,537)
Deferred revenue	-	(6,042)
Net cash (used) by operating activities	(1,318,031)	(425,612)
Cash flows from investing activities		
Payments received on notes receivable, net	1,000	3,706
Purchase of fixed assets	(56,278)	(2,979)
Proceeds from (purchase of) investments	(178,166)	(4,629)
Net cash (used) by investing activities	(233,444)	(3,902)
Cash flows from financing activities		
Proceeds from sale of preferred stock, net of expenses	426,000	-
Proceeds from sale of common stock, net of expenses	350,000	-
Proceeds from notes payable	168,000	726,500
Payments on notes payable	(289,591)	(81,454)
Net cash provided by financing activities	654,409	645,046
Net (decrease) increase in cash	(897,066)	215,532
Cash – beginning	1,947,538	1,732,006
Cash – ending	\$ 1,050,472	\$ 1,947,538
Supplemental disclosures:		
Interest paid	\$ 113,759	\$ 30,810
Income taxes paid	\$ 1,600	\$ -
Non-cash financing activities:		
Shares issued for services	\$ -	\$ 40,000

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

F-5

---

Table of Contents

Rubicon Financial Incorporated  
Notes to 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, 2013 and 2012 and for the years then ended 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, 2013 or 2012. Depreciation expense for the year ended December 31, 2013 and 2012 was \$18,406 and \$17,980, 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 years ended December 31, 2013 and 2012.

## Table of Contents

### Revenue Recognition

The Company recognizes revenue in accordance with ASC subtopic 605-10, net of expected cancellations and allowances. As of December 31, 2013 and 2012, 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.

### Advertising Costs

The Company expenses all costs of advertising as incurred. There was \$8,587 and \$11,794 of advertising costs included in general and administrative expenses for the years ended December 31, 2013 and 2012, respectively.

### 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. See Note 11 for further details.

### 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 December 31, 2013 and 2012 due to their short-term nature. See Note 17 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 years ended December 31, 2012, the denominator in the diluted EPS computation is 250,000 shares higher than the denominator for basic EPS due of possible conversions of preferred stock. There were no in-the-money options or warrants as of December 31, 2012. For the years ended December 31, 2013, the denominator in the diluted EPS computation is 3,380,000 shares higher than the denominator for basic EPS due of possible conversions of preferred stock, series A and B. There were no in-the-money options or warrants as of December 31, 2013.

#### 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, 2013, the Company had approximately \$162,000 in excess of FDIC insured limits. At December 31, 2012, the Company had approximately \$1,066,000 in excess of FDIC insured limits.

Table of Contents

## Reclassifications

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

## Recent Pronouncements

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.

## NOTE 2 – Restatements For Correction Of An Error

In its 10-K filing for December 31, 2012 and its three 10-Q filings for the year ended December 31, 2013, the Company inadvertently reflected a \$2,403,671 asset as “Goodwill”. The asset in question had been shown as an “Intangible asset – customer lists” on all previous filings by the Company and was, in fact, an intangible asset for customer lists/relationships acquired in the 2008 acquisition of Newport Coast Securities (See Note 4). Upon acquisition in 2008, the Company had determined that this asset had an indeterminate life and the Company did not amortize the asset but only tested it for impairment each year. No impairments were ever taken on the asset. The Company has concluded that this was an error and that the asset should have been amortized over the estimated useful life of five years. The correction of the error is going to amortize the \$2,403,671 asset over the five year estimated useful life starting with the date of acquisition in June of 2008 and running through May of 2013. For the year ending 2008, this will create \$280,428 of amortization expense and lower the intangible asset and retained earnings from what was originally shown on the December 31, 2008 balance sheet by \$280,428, in total, respectively. Net loss for the year ended December 31, 2008 will be \$280,428 higher than what was originally reported. For the year ending 2009, this will create \$480,734 of amortization expense and lower the intangible asset and retained earnings from what was originally shown on the December 31, 2009 balance sheet by \$761,162, in total, respectively. Net loss for the year ended December 31, 2009 will be \$480,734 higher than what was originally reported. For the year ending 2010, this will create \$480,734 of amortization expense and lower the intangible asset and retained earnings from what was originally shown on the December 31, 2010 balance sheet by \$1,241,897, in total, respectively. Net loss for the year ended December 31, 2010 will be \$480,734 higher than what was originally reported. For the year ending 2011, this will create \$480,734 of amortization expense and lower the intangible asset and retained earnings from what was originally shown on the December 31, 2011 balance sheet by \$1,722,631, in total, respectively. Net loss for the year ended December 31, 2011 will be \$480,734 higher than what was originally reported. For the year ending 2012, this will create \$480,734 of amortization expense and lower the intangible asset and retained earnings from what was originally shown on the December 31, 2012 balance sheet by \$2,203,365, in total, respectively. Net income for the year ended December 31, 2012 will be \$480,734 lower than what was originally reported. As of December 31, 2012, the asset will have a balance of \$200,307, net of accumulated amortization. This remaining balance is amortized in the year ended December 31, 2013 so that the asset is fully amortized and has a \$0 balance, net of accumulated amortization, as of December 31, 2013. The restated financial statements for 2008, 2009, 2010, 2011 and 2012 are shown in Item 6, “Selected Financial Data”, on this Form 10-K. The restated 2012 are shown in these financial statements on a comparative basis with the financial statements for the year ended December 31, 2013.

The following table sets forth the changes to the balance sheet at December 31, 2012 due to the restatement (amounts shown in thousands):

	Originally reported	Change	As Restated
Current assets	\$ 2,619	\$ -	\$ 2,619



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

Other non-current assets	163	-		163
Intangible asset – Customer lists	2,403	(2,203	) 1	200
Total Assets	5,186	(2,203	) 1	2,982
<hr/>				
Liabilities	3,767	\$ -		3,767
Stockholders' equity (deficit)	1,419	(2,203	) 1	(784 )
Total liabilities and Stockholder's equity (deficit)	\$ 5,186	\$ (2,203	) 1 \$	2,982

1 =decrease in intangible asset and retained earnings (deficit) due to \$2,203,365 of amortization in the years 2008, 2009, 2010, 2011, and 2012.

F-8

---

Table of Contents

The following table sets forth the changes to the income statement for the year ended December 31, 2012 due to the restatement (amounts shown in thousands except for net income per share data):

	Originally reported	Changes	As Restated
Revenue	\$ 14,572	\$ -	\$ 14,572
Expenses	14,785	481	15,266
Net operating loss	(213 )	(481 )	(694 )
Other income (expense)	1,315	- 2	1,315
Net income	1,102	(481 ) 2	621
Net income per share - basic	\$ 0.07		\$ 0.04
Net income per share - diluted	\$ 0.07		\$ 0.04

2 = increase in expense due to \$480,734 of amortization expense relating to the intangible asset being amortized.

**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 31, 2013, 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 December 31, 2012, the Company maintained deposits with APEX and Wedbush of \$100,390 and \$61,412, respectively, for total restricted cash of \$161,802.

**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 (See note 2 regarding restatement). As of December 31, 2012, the balance of the asset, net of accumulated depreciation of \$2,203,364, was \$200,307. As of December 31, 2013, the balance of the asset, net of accumulated amortization of \$2,403,671, was \$0. Amortization expense was \$200,307 and \$480,734 for the years ended December 31, 2013 and 2012, 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, 2013 and 2012, 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, 2013:**

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 \$201,921. The Company's total cost in these investments was \$209,058 resulting in an accumulated unrealized loss of \$7,137. This is shown as accumulated other comprehensive loss in the equity section of the balance sheet on these financial statements. Of the investments, one was in a loss position as of December 31, 2013, for a total aggregate unrealized loss of \$31,500.

As of December 31, 2012:

The Company held twelve investments in publically-traded common stock in various corporations and one investment in a REIT with a total aggregate fair market value, based on published market prices, of \$60,493. The accumulated unrealized gain on these securities is \$29,599 and is shown as accumulated other comprehensive gain on these financial statements. Of the investments, one was in a loss position for a total aggregate unrealized loss of \$2,497 and had been in a loss position for more than twelve months. None of the losses were determined to be other-than-temporary as of December 31, 2012.

F-9

---

Table of Contents

## NOTE 6 – Notes receivable

## Brown:

On December 27, 2010, the Company was issued a note receivable in the amount of \$19,037. The note does not bear interest and is due in monthly installments through May of 2013. The balance of the note as of December 31, 2010 was \$19,037. During the year ended December 31, 2011, no payments were received and the balance of the note as of December 31, 2011 was \$19,037. During the year ended December 31, 2012, this note was paid off and the balance of the note as of December 31, 2012 was \$0.

## Miscellaneous:

During the year ended December 31, 2011, the Company issued a total of four notes receivable in the total amount of \$95,571. \$44,667 in payments were received during the year ended December 31, 2011 and the balance due was \$50,904 as of December 31, 2011. \$50,904 in payments were received during the year ended December 31, 2012 and the balance due was \$0 as of December 31, 2012 relating to these notes. The notes did not bear interest.

During the year ended December 31, 2012, the Company issued a total of three notes receivable in the total amount of \$67,485. The notes do not bear interest. The balance due was \$66,235 as of December 31, 2012 relating to these notes. The balance due was \$43,569 as of December 31, 2013 relating to these notes.

As of December 31, 2013 and 2012, there is a total of \$43,569 and \$66,235 receivable, respectively.

## NOTE 7 – Accounts Receivable

Amounts receivable from clearing organizations and others at December 31, 2013 consisted of the following:

COR Clearing, LLC	\$	375,653
Others		299,251
Wedbush Morgan Securities		151,342
	\$	826,246

## NOTE 8 – Related Party Transactions

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

As of December 31, 2013 and 2012, the Company owed accrued payroll to one of its officers/directors in the amount of \$97,150 and \$13,500, respectively.

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

## NOTE 9 – Fixed Assets

Fixed assets consisted of the following:

	December 31,	
	2013	2012
Furniture	\$ 73,077	\$ 60,921
Equipment	235,336	197,464
Software	42,230	35,979
	350,643	294,364

Accumulated depreciation	(286,753)	(268,347)
	\$ 63,890	\$ 26,017

During the years ended December 31, 2013 and 2012, depreciation expense was \$18,406 and \$17,980, respectively.

F-10

---

Table of Contents

## NOTE 10 – Notes payable and Line of Credit

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

	December 31,	
	2013	2012
Promissory note to a bank for \$100,000, secured by cash held in impound account at the bank. Bears interest at the prime rate, 3.25% as of December 31, 2012, and matured in March of 2013.	\$ -	\$ 8,653
Promissory note to a bank for \$100,000, secured by cash held in impound account at the bank. Bears interest at the prime rate, 3.25% as of December 31, 2013, and matures in March of 2014.	8,695	42,835
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, 2013, and matures in April of 2016	132,032	-
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.	501,427	712,256
	\$ 642,154	\$ 763,744

As of December 31, 2012, \$254,335 of the notes payable is short-term and \$509,409 is long-term. As of December 31, 2013, \$307,768 of the notes payable is short-term and \$334,386 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, 2013. The line matures on March of 2015. As of December 31, 2013 and 2012, Rubicon had borrowed \$200,000 on the line. As of December 31, 2013, the balance due was \$200,000.

As part of the note payable the Company signed in December of 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. \$4,083 was amortized into expense for the year ended December 31, 2013.

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, 2013, the Company is in compliance with all the debt covenants.

Interest expense for the year ended December 31, 2013 and 2012 was \$113,759 and \$30,810, respectively.

## NOTE 11 – Income taxes

The Company follows ASC subtopic 740-10 for recording the provision for income taxes. ASC 740-10 requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability each period. If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change.

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

Table of Contents

The Company's effective federal income tax rate is higher than would be expected if the federal statutory rate were applied to income before tax, primarily because of expenses deductible for financial reporting purposes that are not deductible for tax purposes during the year ended December 31, 2013 and 2012.

As of December 31, 2013 and 2012, the Company has net operating loss carry-forwards which may or may not be used to reduce future federal income taxes payable. Current Federal Tax Law limits the amount of loss available to offset against future taxable income when a substantial change in ownership occurs. Therefore, the amount available to offset future taxable income may be limited. A valuation allowance has been recorded to reduce the net benefit recorded in the financial statements related to this deferred asset. The valuation allowance is deemed necessary as a result of the uncertainty associated with the ultimate realization of these deferred tax assets. The provision for federal income taxes consists of the following:

	As of December 31,	
	2013	2012
Benefits of deferred tax assets	\$ 435,373	\$ 109,000
Change in valuation allowance	(435,373)	(109,000)
Provision for federal income tax	\$ -	\$ -

Below is a summary of deferred tax asset calculations as of December 31, 2012 based on a 34% income tax rate. Currently there is no reasonable assurance that the Company will be able to take advantage of a deferred tax asset. Thus, an offsetting allowance has been established for the deferred asset.

	Deferred tax	
	asset	34%
Net operating loss and other unrealized	\$ 14,339,653	\$ 4,875,482
Valuation allowance		(4,875,482)
Deferred tax asset		\$ -

Below is a summary of deferred tax asset calculations as of December 31, 2013 based on a 34% income tax rate. Currently there is no reasonable assurance that the Company will be able to take advantage of a deferred tax asset. Thus, an offsetting allowance has been established for the deferred asset.

	Deferred tax	
	asset	34%
Net operating loss and other unrealized	\$ 15,620,160	\$ 5,310,854
Valuation allowance		(5,310,854)
Deferred tax asset		\$ -

For financial reporting purposes, the Company has incurred a loss since inception to December 31, 2013. Based on the available objective evidence, including the Company's history of its loss, management believes it is more likely than not that the net deferred tax assets will not be fully realizable. Accordingly, the Company provided for a full valuation allowance against its net deferred tax assets at December 31, 2012 and 2013. Further, management does not believe it has taken the position in the deductibility of its expenses that creates a more likely than not potential for future liability under the guidance of FIN 48.

A reconciliation between the amount of federal income tax benefit determined by applying the applicable U.S. and State statutory income tax rate to pre-tax loss is as follows:



	Year ended December 31,	
	2013	2012
Federal and state statutory rate	34%	34%
Change in valuation allowance	(34%)	(34%)
	-	-

During the year ended December 31, 2013, the Company opened offices in New York and Illinois for NCS. The Company doesn't have any net operating losses in those states and, therefore, will owe state income taxes on the net income attributable to those states. The company accrued state income taxes in the amount of \$30,000 for the year ended December 31, 2013 in relation to this liability.

F-12

---

Table of Contents

NOTE 12 – Stockholders’ equity

Common stock

The Company is authorized to issue 100,000,000 shares of Common Stock, \$0.001 par value per share. Holders of shares of common stock are entitled to one vote for each share on all matters to be voted on by the stockholders, are without cumulative voting rights, and are entitled to share ratably in dividends. In the event of a liquidation, dissolution, or winding up of the Company, the holders of shares of Common Stock are entitled to share pro rata all assets remaining after payment in full of all liabilities. Holders of Common Stock have no preemptive rights to purchase the Company’s Common Stock. There are no conversion rights or redemption or sinking fund provisions with respect to the common stock.

Preferred Stock

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

Series A Convertible Preferred Stock

Holders of Series A Convertible Preferred Stock shall not have the right to vote on matters that come before the stockholders. The Series A Convertible Preferred Stock is redeemable at the Company’s option, in whole or in part, at a redemption price of \$2.00 per share. 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. The Series B Convertible Preferred Stock is redeemable, in whole or in part, at a redemption price of \$1.00 per share under the following conditions:

The Company shall be required to utilize certain amounts of funds it receives from equity or debt financing after the date of issuance of shares of Series B Preferred Stock to redeem the shares in accordance with the following: (i) the Company shall utilize 100% of funds received from the issuance and sale of shares of Series A preferred stock to redeem the shares of Series B Preferred Stock; (ii) the Company will not be required to redeem any shares of Series B Preferred stock for financings up to \$500,000 in the aggregate; (iii) the Company shall utilize a minimum of 10% of the funds received to redeem the shares of Series B Preferred Stock from financings from \$500,001 up to \$1,000,000 in the aggregate; and (iv) the Company shall utilize a minimum of 25% of the funds received to redeem the shares of Series B Preferred Stock for financings in excess of \$1,000,001 in the aggregate. The Company may choose to redeem the shares of Series B Preferred Stock from time to time after the date of issuance (each a “Redemption Date”), in whole or in part, by paying in cash in exchange for the shares of Preferred Stock to be redeemed a sum equal to \$1.00 per Share of Preferred Stock.

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

2012

In the first quarter of 2012, 275,000 shares owed as of December 31, 2011 were issued.

In July of 2012, 100,000 shares were issued for services. The shares were valued at market value and \$40,000 was expensed.

As of December 31, 2012, there were 62,500 series A preferred shares issued and outstanding, no series B preferred shares issued and outstanding, 15,089,023 common shares issued and outstanding, and 250,000 common shares owed but not issued.

2013

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

In the second quarter of 2013, the Company began conducting a private placement offering of up to \$525,000 of units of securities at \$0.15 per unit. Each unit consists of one share of common stock and one three-year warrant to purchase one share of common stock at an exercise price of \$0.50 per share. In May of 2013, the Company had its first closing related to the private placement offering and sold 1,666,667 units for a total of \$250,000.

Table of Contents

In the fourth quarter of 2013, the Company began conducting a private placement offering of up to \$300,000 of units of securities at \$0.20 per unit. Each unit consists of one share of common stock and one three-year warrant to purchase one share of common stock at an exercise price of \$0.50 per share. In December of 2013, the Company had its first closing related to the private placement offering and sold 500,000 units for a total of \$100,000. As of December 31, 2013, these shares had not been issued yet and are therefore shown in these financial statements as common stock owed but not issued.

As of December 31, 2013, there were 62,500 series A preferred shares issued and outstanding, 426,000 series B preferred shares issued and outstanding, 16,755,691 common shares issued and outstanding, and 750,000 common shares owed but not issued.

## NOTE 13 – 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 12 above. All have an exercise price of \$0.50 and expire in the year ended December 31, 2016.

## Options

On June 2, 2008, Rubicon 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. These options expired on June 2, 2013.

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

	Options	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding as of 01/01/12:	500,000	\$ 1.00	-	\$ -
Granted	-	-	-	-
Cancelled	-	-	-	-
Expired	-	-	-	-
Outstanding as of 01/01/13:	500,000	\$ 1.00	-	\$ -
Granted	-	-	2,166,667	0.50
Cancelled	-	-	-	-
Expired	(500,000)	1.00	-	-
Outstanding as of 12/31/13:	-	\$ -	2,166,667	\$ 0.50
Vested as of 12/31/13:	-	\$ -	2,166,667	\$ 0.50

## NOTE 14 – 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 Years Ended December 31,	
	2013	2012 RESTATED
Revenue		
Brokerage services	\$ 18,059,664	\$ 14,572,106
	18,059,664	14,572,106
Expenses		
Brokerage services	17,556,716	14,011,602
Corporate	724,631	(60,814)
	18,281,347	13,950,788
Net income (loss)	\$ (221,683)	\$ 621,318

Table of Contents

NOTE 15 – Commitments and Contingencies

Litigation

Grant Bettingen Lawsuit:

In July of 2009, the Company filed its first amended complaint against Grant Bettingen and Grant Bettingen, as Trustee of the 1999 Bettingen Trust U/D/T October 8, 1999, seeking damages for (i) Breach of Contract, (ii) Fraud, (iii) Declaratory Relief, (iv) Breach of Covenant of Good Faith and Fair Dealing, and (v) Unjust Enrichment. These claims arise from the June 2008 merger between the Company and NCS (then known as Grant Bettingen, Inc.) On or about August 10, 2009, the Company was served with a suit from M. Grant Bettingen, the Bettingen 1999 Trust and Christi Bettingen stemming from the same transaction. The Bettingen cross-complaint was dismissed in July of 2010 and has been appealed. While it is not possible to predict with certainty what liability or damages the Company might incur in connection with this lawsuit, based on the advice of counsel and a management review of the existing facts and circumstances related to this lawsuit, the Company has accrued \$487,000 as of December 31, 2013 and 2012 for this matter, which is included in accrued investment obligation on its Consolidated Balance Sheet.

American International Industries, Inc. Lawsuit:

On December 7, 2011, the Company was served with a Notice of Entry of Judgment on Sister-State Judgment resulting from a purported default judgment entered against it from the District Court of Harris County, Texas 281st Judicial District on or about August 19, 2011. The default judgment was granted to American International Industries, Inc. (“AMIN”) against the Company in the amount of \$2,030,114.40. As of December 31, 2011, the Company recorded a current liability for the default judgment in the amount of \$2,030,114.

The Company disputed the validity of the default judgment, believed it had settled any and all disputes with AMIN, the underlying suit was dismissed by the Texas court, and believed there are a number of other issues involved in this case; including, but not limited to, improper service, abuse of process, and accord and satisfaction. During the second quarter of 2012, the default judgment was set aside and the Company lowered the \$2,030,114 accrual to \$268,000 resulting in lawsuit settlement income of \$1,762,114 during the year ended December 31, 2012. While it is not possible to predict with certainty what liability or damages the Company might incur in connection with any legal matter, based on the advice of counsel and a management review of the existing facts and circumstances related to pending legal matters, the Company believed the \$268,000 accrual was adequate to cover the final settlement as of December 31, 2012.

During the year ended December 31, 2013, this case was settled for \$7,500 and the Company recorded a gain on settlement of \$260,500.

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

Scott Lawsuit:

The Company was party to a lawsuit from a former employee for wrongful termination and harassment. It was the Company's belief that the suit had no merit and nothing had been accrued in relation to this suit. In February of 2013, a FINRA arbitration panel issued an order awarding \$300,000 in compensatory damages and \$125,863 in attorney's fees. Arbitration fees of \$19,650 were also incurred. A total of \$445,513 has been recorded as an accrued liability as of December 31, 2012 and legal settlement expense of \$425,863 has been recorded in the year ended December 31, 2012. During the year ended December 31, 2013, this legal settlement was paid and the accrued balance as of December 31, 2013 relating to this issue is \$0.

Wells notice:

After December 31, 2013, 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, 2013, management believes that no accrual for penalties or potential settlements is justified and that the ultimate outcome of the process will not have a material impact on the financial statements.

Table of Contents

## General Litigation:

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

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

The outcome of litigation may not be assured, and despite management's views of the merits of any litigation, or the reasonableness of the Company's estimates and reserves, the Company's financial statements could nonetheless be materially affected by an adverse judgment. The Company believes it has adequately reserved for the contingencies arising from currently pending legal matters where an outcome was deemed to be probable, and the loss amount could be reasonably estimated. While it is not possible to predict with certainty what liability or damages the Company might incur in connection with any legal matter, based on the advice of counsel and a management review of the existing facts and circumstances related to pending legal matters, the Company has accrued \$199,000 and \$472,500 as of December 31, 2013 and 2012, respectively, for these matters, which is included on its Consolidated Balance Sheet. Management feels it is unlikely that any expense associated with current litigation or arbitrations would exceed the amount accrued.

## Office lease agreements

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. The annual lease payments due pursuant to these agreements are as follows:

Year Ending December 31,	Amount
2014	\$ 385,239
2015	172,073
2016	65,894
2017	67,873
2018	63,921
Total	\$ 755,000

Rent expense is included in general and administrative expense and totaled \$358,800 and \$169,416 for the years ended December 31, 2013 and 2012 respectively.

## NOTE 16 – 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 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 December 31, 2013, NCS had net capital of \$277,468 and was \$177,468 in excess of its required net capital of



\$100,000. At December 31, 2012, NCS had net capital of \$142,211 and was \$42,211 in excess of its required net capital of \$100,000.

NOTE 17 - Fair Value Measurements

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

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

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

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

Table of Contents

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

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

The following table presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis as of December 31, 2013:

	Level 1	Level 2	Level 3	Fair Value
Cash	\$ 1,050,472	\$ -	-	\$ 1,050,472
Accounts receivable	-	826,246	-	826,246
Marketable securities	201,921	-	-	201,921
Notes and interest receivable	-	43,569	-	43,569
Accounts payable	-	404,236	-	404,236
Accrued expenses	-	873,147	-	873,147
Notes payable	-	642,154	-	642,154

## NOTE 18 – Summary of Quarterly Financial Information (Unaudited)

The following table sets forth selected unaudited financial information for each quarter of the years ended December 31, 2013 and 2012 (in thousands, except per share amounts). The amounts for the quarters and year ended December 31, 2012 and the first and second quarter of the year ended December 31, 2013 have been adjusted for the restatement as discussed in Note 2.

2013:	First	Second	Third	Fourth	Total
Revenue	\$ 3,971	\$ 4,536	\$ 4,908	\$ 4,645	\$ 18,060
Expense	4,221	4,625	5,118	4,434	18,398
Operating Income (Loss)	(250)	(89)	(209)	210	(338)
Other Income (Expense)	(23)	245	(15)	(60)	147
Net Income (Loss)	(273)	156	(224)	119	(222)

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

Basic Earnings (Loss) per Share	(.02)	.01	(.01)	.01	(.01)
Diluted Earnings (Loss) per Share	N/A	.01	N/A	.01	N/A

2012:	First	Second	Third	Fourth	Total
Revenue	\$ 4,215	\$ 3,733	\$ 3,721	\$ 2,903	\$ 14,572
Expense	4,270	4,095	3,915	2,986	15,266
Operating (Loss)	(55)	(362)	(193)	(84)	(694)
Other Income (Expense)	19	1,770	7	(481)	1,315
Net Income (Loss)	(36)	1,408	(186)	(565)	621
Basic Earnings (Loss) per Share	.00	.09	(.01)	(.04)	.04
Diluted Earnings (Loss) per Share	N/A	.09	N/A	N/A	.04

F-17

---

Table of Contents

NOTE 19 – 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:

In March of 2014, the Company had its first closing under a private offering and sold 2,666,667 units for \$400,000. Each unit consists of one share of common stock and one five year warrant to purchase one share of common stock for \$0.25 per share.

In April of 2014, the Company had its second closing under a private offering and sold 3,666,668 units for \$550,000. Each unit consists of one share of common stock and one five year warrant to purchase one share of common stock for \$0.25 per share.

F-18

---

Table of Contents

Item 9. Changes in and Disagreements With Accountants On Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

In connection with the filing of this Form 10-K, our chief executive officer and principal financial officer, Joseph Mangiapane, Jr., evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of December 31, 2013. We seek to design our disclosure controls and procedures to provide reasonable assurance that the reports we file or submit under the Exchange Act contain the required information and that we submit these reports within the time periods specified in SEC rules and forms. We also seek to design these controls and procedures to ensure that we accumulate and communicate correct information to our management, to allow timely decisions regarding required disclosure.

Based on our evaluation, we identified a material weakness in our disclosure controls and procedures related to the accounting for the amortization of an intangible asset relating to the acquisition of NCS in June of 2008. Because of the material weakness described below, Mr. Mangiapane concluded that we did not maintain effective disclosure controls and procedures as of December 31, 2013.

(b) Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles (“GAAP”). Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

There are limitations inherent in any internal control, such as the possibility of human error and the circumvention or overriding of controls. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met, and may not prevent or detect misstatements. As conditions change over time, so too may the effectiveness of internal controls. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Mr. Mangiapane evaluated the Company’s internal control over financial reporting as of December 31, 2013, based on the framework in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on the evaluation and the criteria set forth in the COSO report, we identified a material weakness in internal control over financial reporting as described below.

Management identified a material weakness in internal control over financial reporting that existed as of December 31, 2013, related to the accurate and timely accounting for the amortization of an intangible asset relating to the acquisition of NCS in June of 2008. Specifically, controls over the evaluation of accounting rules to assess proper application of such rules to the accounting and disclosure relating to the amortization of intangible assets were not designed to detect errors. As a result of this material weakness, the Company misstated the value of the customer list acquired as part of the NCS acquisition. We corrected these misstatements and restated our consolidated financial statements for the years ended December 31, 2008, 2009, 2010, 2011 and 2012 and the first three quarters of 2013.

Because of the material weakness described above, Mr. Mangiapane concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2013.

Table of Contents

(c) Remediation Steps to Address Material Weakness

We have developed, and are currently implementing, a remediation plan for this material weakness. We will continue to execute our remediation plan, which includes, among other things modifying the way we assess and apply accounting standards to intangible assets and our disclosures thereof. As we continue to evaluate and work to enhance internal control over financial reporting, we may determine that additional measures should be taken to address these or other control deficiencies, and/or we should modify the remediation plan described above.

(d) Changes in Internal Control Over Financial Reporting

Other than requiring our management to review accounting procedures for correct amortization of intangible assets in accordance with the remediation plan set forth above; there were no other 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.

Item 9B. Other Information.

None.

Table of Contents

## PART III

## Item 10. Directors, Executive Officers and Corporate Governance.

The following table sets forth the names and positions of Rubicon's executive officers and directors.

Name	Age	Title(s)
Joseph Mangiapane, Jr.	48	Chief Executive Officer, President, Principal Financial Officer and Chairman
Kathleen McPherson	56	Director
Donald J. Wojnowski, Jr.	54	Chief Executive Officer of NCS
Richard Onesto	45	Chief Financial Officer of NCS

Joseph Mangiapane, Jr. is the Chief Executive Officer, President and Principal Financial Officer and has been the Chairman of the Rubicon's Board of Directors since September 2006. In 2009, Mr. Mangiapane began to operate as a FINRA registered broker/dealer for Newport Coast Securities, Inc., a wholly owned subsidiary of Rubicon. Further, Mr. Mangiapane was a senior registered options principal, compliance registered options principal, and a registered representative with Advantage Investment Strategies, Inc., and a FINRA registered broker/dealer from 2005 to 2007. From 1992 to 2000, Mr. Mangiapane was a stockholder, senior registered options principal, compliance registered options principal, and a registered representative with Tradeway Securities Group in Irvine, California. From 1987 to 1989, Mr. Mangiapane was employed with Paine Webber's Sexton Group, and from 1986 to 1987 at Drexel Burnham Lambert. Mr. Mangiapane owned and managed a restaurant in Orange County California from 2000 to 2004. Mr. Mangiapane's father was a founder of Dial-A-Cup, a wholly owned subsidiary of Rubicon.

Kathleen McPherson was a consultant for us and NCS from September of 2007 through November of 2009, providing services in the area of corporate structure, marketing, strategic alliances, and other matters relating to our management and growth. In November of 2009, Ms. McPherson became the chief executive officer of NCS. In March of 2013, Ms. McPherson resigned as an executive officer of NCS, but remains as chairman of NCS. Ms. McPherson has 34 years experience in the securities industry and has been involved in the start-up of a broker-dealer in 1991 (Brookstreet Securities Corporation), and formed a Registered Investment Advisor in 1993, growing the firm from 15 to over 650 account executives with over \$120,000,000 in annual revenues. At this same company, the Alternative Investment area under Ms. McPherson's direction grew to approximately \$300,000,000 in gross annual sales over a six year period. Ms. McPherson left Brookstreet in June of 2007. Ms. McPherson also has investment banking experience in the formation, marketing and distribution of securities offerings through both public and private placements since 1978. From 1984 to 1990, she was the sole principal responsible for operating the Syndication Division and Broker-Dealer arm of Keystone Mortgage Company in Los Angeles, California, which structured public and private placement real estate investments distributed through the broker-dealer channel. Ms. McPherson graduated from San Diego State University in 1979 with a B.S. in Business and holds ten separate securities and principal licenses.

Donald A. Wojnowski, Jr. was named as President & Chief Executive Officer of Newport Coast Securities in March 2013. Prior to becoming an executive officer of NCS, Wojnowski was a registered representative at NCS since November of 2012. From May of 2011 through November of 2012, Mr. Wojnowski was an executive at Meyers & Associates. From June of 2010 until March of 2011, Mr. Wojnowski was registered with Anderson Strudwick. Lastly, from 1992 through June of 2010, Wojnowski was registered with Empire Financial Group and Jesup & Lamont. Mr. Wojnowski began his securities industry career in EF Hutton's management training program in 1982 and holds the series 3, 6, 7, 24, 63 & 66 licenses.

Richard Onesto was named the Chief Financial Officer of Newport Coast Securities in March 2013. Prior to becoming an executive officer of NCS, Onesto was registered with and the CFO of Meyers & Associates from March of 2012



through January of 2013. Prior to joining Meyers, Onesto was CFO for Far Hills Group from June of 2006 to March of 2012. Mr. Onesto began his securities industry career at S.G. Warburg in 1991 and holds a BBA in Accounting and Taxation from Pace University. He also holds series 7, 24, 27 & 99 licenses.

#### Limitation of Liability of Directors

Pursuant to our Certificate of Incorporation, we have agreed to indemnify our directors to the fullest extent permitted by Nevada General Corporate Law. Under General Nevada Corporate Law, other than in actions brought by or in the right of the corporation, such indemnification would apply if it were determined in the specific case that the proposed indemnity acted in good faith and in a manner such person reasonably believed in or not opposed to be in the best interests of the corporation and, with respect to any criminal proceeding, if such person had no reasonable cause to believe that the conduct was unlawful. To the extent that any director has been successful on the merits or otherwise in defense of any action, suit, proceeding, as discussed herein, whether civil, criminal, administrative, or investigative, such person must be indemnified against reasonable expenses incurred by such person in connection therewith. A Certificate of Incorporation does not eliminate or limit the liability of a director for acts or omissions that involve intentional misconduct or a knowing violation of law by a director. Additionally, General Nevada Corporate Law does not affect the availability of equitable remedies such as an injunction or rescission based upon a director's breach of his duty of care.

## Table of Contents

### Election of Directors and Officers

Directors are elected to serve until the next annual meeting of stockholders and until their successors have been elected and qualified. Officers are appointed to serve until the meeting of the board of directors following the next annual meeting of stockholders and until their successors have been elected and qualified. We have not held an annual meeting of stockholders since August of 2011. However, we intend to hold an annual meeting some time in 2014, at such time our directors will be elected.

### Involvement in Certain Legal Proceedings

Other than as set forth below, none of our executive officers or directors has been the subject of any Order, Judgment, or Decree of any Court of competent jurisdiction, or any regulatory agency permanently or temporarily enjoining, barring suspending or otherwise limiting him from acting as an investment advisor, underwriter, broker or dealer in the securities industry, or as an affiliated person, director or employee of an investment company, bank, savings and loan association, or insurance company or from engaging in or continuing any conduct or practice in connection with any such activity or in connection with the purchase or sale of any securities.

Other than as set forth below, none of our executive officers or directors has been convicted in any criminal proceeding (excluding traffic violations) or is the subject of a criminal proceeding, which is currently pending.

On May 21, 2009, the SEC filed a civil complaint against eight individuals, including Joseph Mangiapane, Jr., our chief executive officer, principal financial officer, president, secretary and treasurer, alleging violations of the antifraud, registration, and other provisions of the federal securities laws. Mr. Mangiapane was a registered representative with AIS Financial, Inc., a previously registered broker/dealer, at all times relevant to the allegations (August 2006 to February 2007). The SEC's civil complaint is ongoing and Mr. Mangiapane intends to vigorously defend himself against the SEC's allegations.

### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires our executive officers and directors, and persons who beneficially own more than ten percent of our common stock, to file initial reports of ownership and reports of changes in ownership with the SEC. Executive officers, directors and greater than ten percent beneficial owners are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. All reports required by Section 16(a) were filed in connection with the securities issuances to our officers and directors during fiscal 2013.

### Board of Directors

Our board of directors currently consists of two members. Our board of directors has affirmatively determined that none of them are independent directors, as defined by Section 803 of the American Stock Exchange Company Guide.

### Audit Committee

We do not have an Audit Committee, our Board of Directors, performs some of the same functions of an Audit Committee, such as: recommending a firm of independent certified public accountants to audit the annual financial statements; reviewing the independent auditors independence, the financial statements and their audit report; and reviewing management's administration of the system of internal accounting controls.

We have no financial expert. We believe the cost related to retaining a financial expert at this time is prohibitive. Further, because of our start-up operations, we believe the services of a financial expert are not warranted.

#### Code of Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees, as well as to directors, officers and employees of each subsidiary of Rubicon. Our Code of Ethics was attached to our 2008 Form 10-K as Exhibit 99.1. A copy of our Code of Business Conduct and Ethics will be provided to any person, without charge, upon request. Contact Joseph Mangiapane, Jr. at 888-668-9567 to request a copy of the Code or send your request to Rubicon Financial Incorporated, Attn: Joseph Mangiapane, Jr., 18872 MacArthur Blvd., First Floor, Irvine, California 92612. If any substantive amendments are made to the Code of Business Conduct and Ethics or if we grant any waiver, including any implicit waiver, from a provision of the Code to any of our officers and directors, we will disclose the nature of such amendment or waiver in a report on Form 8-K.

#### Nominating Committee

We do not have a Nominating Committee. Our board of directors performed some of the functions associated with a Nominating Committee.

Table of Contents

## Item 11. Executive Compensation.

The following table sets forth summary compensation information for the years ended December 31, 2013 and 2012 for our chief executive officer and other executive officers, whom we refer to throughout this report as our named executive officers, whose total compensation exceeded \$100,000.

## Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Option Awards (\$)	Restricted Stock Awards (\$)	All Other Compensation (\$)	Total (\$)
Joseph Mangiapane, Jr. Chief Executive Officer/President	2013	\$ 202,721	\$ --	\$ --	\$ --	\$ 21,038(1)	\$ 223,759
Principal Financial Officer	2012	\$ 276,850	\$ --	\$ --	\$ --	\$ --	\$ 276,850
Kathleen McPherson Former Chief Executive Officer of Newport Coast Securities, Inc.	2013(2)	\$ 86,250	\$ --	\$ --	\$ --	\$ 68,446(3)	\$ 173,896
Officer of Newport Coast Securities, Inc.	2012	\$ 225,000	\$ --	\$ --	\$ --	\$ 188,155(4)	\$ 413,155
Donald J. Wojnowski, Jr. Chief Executive Officer of Newport Coast Securities, Inc.	2013(5)	\$ 160,417	\$ --	\$ --	\$ --	\$ 12,000(6)	\$ 172,417
Richard Onesto Chief Financial Officer of Newport Coast Securities, Inc.	2013(7)	\$ 123,479	\$ --	\$ --	\$ --	\$ 12,000(6)	\$ 135,479

- (1) Represents commissions earned as a registered representative of NCS.
- (2) Ms. McPherson resigned as the chief executive officer of NCS in March of 2013; however, continued to be employed by NCS through November of 2013. Compensation presented is January 2013 through November 2013.
- (3) Represents \$68,446 in commissions and overrides earned at NCS and \$19,200 in insurance benefits.
- (4) Represents \$188,155 in commissions and overrides earned at NCS.
- (5) Mr. Wojnowski was appointed as the chief executive officer of NCS in March of 2013; therefore, compensation presented is for the period from March of 2013 through December 31, 2013.
- (6) Represents amounts paid for insurance benefits.
- (7)

Mr. Onesto was appointed as the chief financial officer of NCS in March of 2013; therefore, compensation presented is for the period from March of 2013 through December 31, 2013.

#### Grants of Plan-Based Awards in Fiscal 2013

We did not grant any plan-based awards to our named executive officers during the fiscal year ended December 31, 2013.

#### Outstanding Equity Awards at 2013 Fiscal Year-End

There were no outstanding equity awards to our named executive officers at December 31, 2013.

## Table of Contents

### Option Exercises for 2013

There were no options exercised by our named executive officers in fiscal 2013.

### Executive Employment Agreements

#### Joseph Mangiapane, Jr.:

On January 1, 2007, Rubicon entered into an employment agreement with Joseph Mangiapane, Jr., its Chief Executive Officer. The Employment Agreement provided for a term commencing on January 1, 2007 and expiring on December 31, 2010, with an automatic two year renewals unless otherwise terminated as described in the agreement. The Employment Agreement has been extended through December 31, 2014. Mr. Mangiapane is entitled to the following current compensation pursuant to the Employment Agreement, as extended.

- Rubicon has agreed to pay Mr. Mangiapane a current base salary of \$22,600 per month with yearly adjustments being determined by specified criteria and our board of directors.
- Mr. Mangiapane is entitled to incentive compensation determined after the completion of the annual independent audit and based upon our net operating profits before taxes, interest, any other executive bonuses paid, depreciation and amortization (“EBITBDA”) and a cumulative scaled percentage. The incentive compensation is limited to six times Mr. Mangiapane’s base salary.
- As a signing bonus, Mr. Mangiapane was granted an option to purchase 500,000 shares of our common stock for \$1.00 per share for a period of five (5) years. These options expired on December 31, 2011.
- Mr. Mangiapane will be eligible to participate in Rubicon’s Stock Option Plan and Stock Purchase Plan during the term of his employment.
- In the event Rubicon terminates Mr. Mangiapane’s employment agreement without “cause” (as defined in the Employment Agreement) or Mr. Mangiapane resigns with “good reason” (as defined in the Employment Agreement), Mr. Mangiapane shall be entitled to receive, through the end of the term his base salary and incentive compensation.
- If the Employment Agreement is terminated for “cause” (as defined in the Employment Agreement), Mr. Mangiapane shall receive his base salary and incentive compensation through the date of termination. However, if a dispute arises between Rubicon and Mr. Mangiapane that is not resolved within 60 days and neither party initiates arbitration, we have the option to pay Mr. Mangiapane a lump sum of 6 months base salary as “severance payment” rather than pay Mr. Mangiapane’s salary and incentive compensation through the date of termination.
- In the event Mr. Mangiapane becomes incapacitated by reason of accident, illness, or other disability whereby he is unable to carry on substantially all of his normal duties for a continuous period of 120 days, the Employment Agreement will terminate and Mr. Mangiapane will receive (1) through the end of the fiscal year his incentive compensation and (2) his base salary for a 6 month period reduced by the amount of any payment received from disability insurance proceeds.
- In the event Mr. Mangiapane dies during the term of the Employment Agreement, Rubicon will pay to the estate of Mr. Mangiapane his incentive compensation and his base salary for a period of 6 months.

### Change in Control Arrangements

Rubicon has entered into an employment agreement with Joseph Mangiapane, Jr., its chief executive officer. This employment agreement allows for him to resign for good reason upon a change in control of Rubicon. Upon his resignation for good reason, Mr. Mangiapane would continue to receive, through the end of the Term of his Agreement, his incentive compensation in accordance with the terms and conditions of his agreement up to a cap of 6 times his annual salary and his salary at the rate then in effect. Further, Mr. Mangiapane’s stock options shall remain exercisable for the entire term of the options.

For purposes of the employment agreement, a change in control is defined as:

- (i) a merger or consolidation in which securities possessing more than fifty percent (50%) of the total combined voting power of our outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction in a transaction approved by the stockholders, or the sale, transfer, or other disposition of more than fifty percent (50%) of the total combined voting power of our outstanding securities to a person or persons different from the persons holding those securities immediately prior to such transaction; or
- (ii) the sale, transfer or other disposition of all or substantially all of the our assets in complete liquidation or dissolution of our Company other than in connection with a transaction described in (i) above.

Table of Contents

## Director Compensation

The following table sets forth compensation paid to Rubicon's board members during the year ended December 31, 2013.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Kathleen McPherson (1)	-	-	-	-	-	-
Joseph Mangiapane, Jr. (2)	-	-	-	-	-	-

(1) Ms. McPherson is the former chief executive officer of Newport Coast Securities, Inc., as such her compensation as an officer is disclosed above under Executive Compensation.

(2) Mr. Mangiapane is the sole officer of Rubicon Financial Incorporated, as such his compensation as an officer is disclosed above under Executive Compensation.

Directors generally receive equity compensation of 2,500 restricted shares of common stock per year of service; however, directors were not issued any shares for fiscal years 2013, 2012 and 2011. Further, directors who are not employees receive compensation of \$500 for each meeting of the board, as well as travel expenses if required. From time to time, certain directors who are not employees may also receive grants of options to purchase shares of Rubicon common stock.

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table presents information, to the best of Rubicon's knowledge, about the ownership of Rubicon's common stock on April 9, 2014 relating to those persons known to beneficially own more than 5% of Rubicon's capital stock and by Rubicon's directors and executive officers. The percentage of beneficial ownership for the following table is based on 23,089,026 shares of common stock outstanding.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and does not necessarily indicate beneficial ownership for any other purpose. Under these rules, beneficial ownership includes those shares of common stock over which the stockholder has sole or shared voting or investment power. It also includes shares of common stock that the stockholder has a right to acquire within 60 days after April 9, 2014 pursuant to options, warrants, conversion privileges or other right. The percentage ownership of the outstanding common stock, however, is based on the assumption, expressly required by the rules of the Securities and Exchange Commission, that only the person or entity whose ownership is being reported has converted options or warrants into shares of Rubicon's common stock.

Name of Beneficial Owner, Officer or Director(1)	Number of Shares	Percent of Outstanding Shares
--	---------------------	-------------------------------------



		of Common Stock(2)
Joseph Mangiapane, Jr., Chief Executive Officer and Chairman(3)	2,292,500(4)	9.9%
Kathleen McPherson, Director(3)	3,632,500(5)	14.1%
Donald J. Wojnowski, Jr., Chief Executive Officer of NCS	166,667(6)	0.7%
Richard Onesto, Chief Financial Officer of NCS	0	-
Directors and Officers as a Group	6,091,667	24.7%
The Bettingen 1999 Trust U/D/T October 8, 1999		
4100 Newport Place, STE# 630		
Newport Beach, CA 92660	1,200,000	5.2%

Table of Contents

- (1) As used in this table, “beneficial ownership” means the sole or shared power to vote, or to direct the voting of, a security, or the sole or shared investment power with respect to a security (i.e., the power to dispose of, or to direct the disposition of, a security).
- (2) Figures are rounded to the nearest tenth of a percent.
- (3) The address of each person is care of Rubicon: 18872 MacArthur Blvd., First Floor, Irvine, California 92612.
- (4) Includes 300,000 shares held by Mr. Mangiapane’s spouse and children.
- (5) Includes 25,000 shares of Series A Convertible Preferred Stock held in Ms. McPherson’s IRA that are convertible into 500,000 shares of common stock and 426,000 shares of Series B Convertible Preferred Stock that are convertible into 2,130,000 shares of common stock.
- (6) Represents shares held in Mr. Wojnowski’s 401K.

## Equity Compensation Plan Information

The following table sets forth information as of December 31, 2013 regarding outstanding options granted under the plans, warrants issued to consultants and options/shares reserved for future grant under the plan.

Plan Category	Number of shares to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of shares remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a)) (c)
Equity compensation plans approved by stockholders	--	\$ --	5,631,250
Equity compensation plans not approved by stockholders	--	--	--
Total	--	\$ --	5,631,250(1)

- (1) As of December 31, 2012, 2,500,000 options were available for issuance under our 2007 stock option plan and 3,131,250 options/shares were available for issuance under our 2007 acquisition stock plan.

## Item 13. Certain Relationships and Related Transactions, and Director Independence.

Other than as set forth below, we were not a party to any transactions or series of similar transactions that have occurred during fiscal 2013 in which:

- The amounts involved exceeds the lesser of \$120,000 or one percent of the average of our total assets at year end for the last two completed fiscal years (\$27,609); and
- A director, executive officer, holder of more than 5% of our common stock or any member of their immediate family had or will have a direct or indirect material interest.

As of December 31, 2013 and 2012, we owed accrued payroll to Mr. Mangiapane, our CEO/chairman, in the amount of \$97,150 and \$13,500, respectively.

In February of 2013, we sold 426,000 shares of series B preferred stock to Kathleen McPherson for \$426,000. A copy of Ms. McPherson's purchase agreement is attached hereto as Exhibit 10.6.

#### Director Independence

Our board of directors has affirmatively determined that none of our current directors are independent.

Table of Contents

## Item 14. Principal Accountant Fees and Services.

Samyn & Martin, LLC served as our principal independent public accountants for fiscal 2013 and 2012 years. Aggregate fees billed to us for the fiscal years ended December 31, 2013 and 2012 by Samyn & Martin, LLC were as follows:

	For the Fiscal Years Ended December 31,	
	2013	2012
(1) Audit Fees(1)	\$ 69,750	\$ 67,450
(2) Audit-Related Fees(2)	-0-	-0-
(3) Tax Fees(3)	-0-	-0-
(4) All Other Fees	-0-	-0-
Total fees paid or accrued to our principal accountant	\$ 69,750	\$ 67,450

- (1) Audit Fees include fees billed and expected to be billed for services performed to comply with Generally Accepted Auditing Standards (GAAS), including the recurring audit of our consolidated financial statements for such period included in this Annual Report on Form 10-K and for the reviews of the consolidated quarterly financial statements included in the Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission. This category also includes fees for audits provided in connection with statutory filings or procedures related to audit of income tax provisions and related reserves, consents and assistance with and review of documents filed with the SEC.
- (2) Audit-Related Fees include fees for services associated with assurance and reasonably related to the performance of the audit or review of our financial statements. This category includes fees related to assistance in financial due diligence related to mergers and acquisitions, consultations regarding Generally Accepted Accounting Principles, reviews and evaluations of the impact of new regulatory pronouncements, general assistance with implementation of Sarbanes-Oxley Act of 2002 requirements and audit services not required by statute or regulation.
- (3) Tax fees consist of fees related to the preparation and review of our federal and state income tax returns.
- (5) Audit Committee Policies and Procedures

Our board of directors, acting in the capacity of the Audit Committee, pre-approves all services to be provided to us by our independent auditor. This process involves obtaining (i) a written description of the proposed services, (ii) the confirmation of our Principal Financial Officer that the services are compatible with maintaining specific principles relating to independence, and (iii) confirmation from our securities counsel that the services are not among those that our independent auditors have been prohibited from performing under SEC rules, as outlined in the Audit Committee charter. Our board of directors then makes a determination to approve or disapprove the engagement of Samyn & Martin for the proposed services. In fiscal 2013, all fees paid to Samyn & Martin were unanimously pre-approved in accordance with this policy.

- (6) Less than 50 percent of hours expended on the principal accountant's engagement to audit the registrant's financial statements for the most recent fiscal year were attributed to work performed by persons other than the principal accountant's full-time, permanent employees.

Table of Contents

## PART IV

## Item 15. Exhibits, Financial Statement Schedules.

The following information required under this item is filed as part of this report:

## (a) 1. Financial Statements

	Page
Management Responsibility for Financial Information	32
Management's Report on Internal Control Over Financial Reporting	33
Report of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets	F-2
Consolidated Statements of Operations	F-3
Consolidated Statements of Stockholders Equity	F-4
Consolidated Statements of Cash Flows	F-5

## (b) 2. Financial Statement Schedules

None.

## (c) 3. Exhibit Index

Exhibit	Exhibit Description	Filed herewith	Incorporated by reference			
			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			8-K		2.8	08/06/07

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

	Separation and Distribution Agreement by and between Rubicon Financial Incorporated and Dial-A-Cup, Inc.			
3.1(i)	Articles of Incorporation, as currently in effect	8-K		3(i)(h) 9/21/11
3.1(ii)	Bylaws, as currently in effect	8-K		3(ii)(c) 9/21/11
4.1	Amended and Restated Certificate of Designation of 8% Series A Convertible Preferred Stock	10-Q	09/30/08	4.1 11/19/08
4.2	Amended and Restated Certificate of Designation of Series A Convertible Preferred Stock	8-K		4.1 03/07/13
4.3	Certificate of Designation for Series B Convertible Preferred Stock	8-K		4.2 03/07/13
10.1†	Employment Agreement with Joseph Mangiapane, Jr.	8-K		10.3 01/17/07
10.2	Share Purchase Agreement between Rubicon Financial Incorporated and Grant Bettingen, Inc.	8-K		10.9 09/14/07
10.3	Amendment No. 1 to NCS Stock Purchase Agreement dated March 18, 2008	8-K		10.12 03/21/08
10.4	Term Note with Gordon and Adele Binder, Community Property, dated November 30, 2012	8-K		10.1 12/14/12
10.5	Security Agreement in favor of Gordon and Adele Binder, Community Property, dated November 30, 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 4/14/2014
21.1	List of Subsidiaries	10-K	12/31/13	21.1 4/14/2014
23.1	Consent of Samyn & Martin, LLC	10-K	12/31/13	23.1 4/14/2014
31.1	<u>Certification of Joseph Mangiapane, Jr., Chief Executive Officer and Principal Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act</u>			X
32.1	<u>Certification of Joseph Mangiapane, Jr., Chief Executive Officer and Principal Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act</u>			X
101.INS	XBRL Instance Document	10-K	12/31/13	101.INS 4/14/2014
101.SCH	XBRL Taxonomy Extension Schema	10-K	12/31/13	101.SCH 4/14/2014
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	10-K	12/31/13	101.CAL 4/14/2014
101.DEF	XBRL Taxonomy Extension Definition Linkbase	10-K	12/31/13	101.DEF 4/14/2014
101.LAB	XBRL Taxonomy Extension Label Linkbase	10-K	12/31/13	101.LAB 4/14/2014
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	10-K	12/31/13	101.PRE 4/14/2014

† Indicates management contract or compensatory plan or arrangement.

Table of Contents

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RUBICON FINANCIAL INCORPORATED

Date: April 22, 2014

By: /s/ Joseph Mangiapane, Jr.  
Joseph Mangiapane Jr.  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, the following persons on behalf of the Registrant and in the capacities and on the dates indicated have signed this report below.

Name	Title	Date
/s/ Joseph Mangiapane, Jr. Joseph Mangiapane, Jr.	Chief Executive Officer, President & Director (Principal Executive Officer and Principal Financial Officer)	April 22, 2014
/s/ Kathleen McPherson Kathleen McPherson	Director	April 22, 2014

