

RUBICON FINANCIAL INC  
Form 10QSB  
November 20, 2006  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM 10-QSB**

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2006

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

Commission file number 000-29315

## **RUBICON FINANCIAL INCORPORATED**

(Exact name of small business issuer as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation or organization)

**13-3349556**  
(IRS Employer Identification No.)

**19200 Von Karman Avenue**

**Suite 350**

**Irvine, California 92612**

(Address of principal executive offices)

**(949) 798-7220**

(Issuer's telephone number)

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**ISSG, INC. 5715 Lemona Avenue, Van Nuys, CA 91411**

(Former name, former address and former fiscal year, if changed since last report.)

Copies of Communications to:

Stoecklein Law Group

402 West Broadway, Suite 400

San Diego, CA 92101

(619) 595-4882

Fax (619) 595-4883

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the last 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

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

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The number of shares of Common Stock, \$0.001 par value, outstanding on September 30, 2006, was 10,737,773 shares.

Transitional Small Business Disclosure Format (check one): Yes  No

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**PART 1 FINANCIAL INFORMATION****Item 1. Financial Statements****Rubicon Financial Incorporated**

(formerly ISSG, Inc.)

(a Development Stage Company)

**Consolidated Balance Sheets**

(unaudited)

	<b>September 30, 2006</b>	<b>December 31, 2005</b>
<b>Assets</b>		
Current assets:		
Cash	\$ 182,504	\$ 1,505
Note receivable	20,000	-
Accrued interest receivable	28	-
Total Current Assets	202,532	1,505
Total Assets	\$ 202,532	\$ 1,505
<b>Liabilities and Stockholders' Deficit</b>		
Current liabilities		
Accounts payable	\$ 60,796	\$ 53,905
Accrued interest - related party	34,932	23,256
Note payable	61,052	23,748
Note payable - related party	156,014	148,774
Total Current Liabilities	312,794	249,683
Stockholders' Deficit:		
Common stock, \$0.001 par value, 50,000,000 shares authorized, 10,837,773 and 10,737,773 shares issued and Outstanding as of September 30, 2006 and December 31, 2005	10,838	10,739
Additional paid-in capital	1,004,912	642,261
(Deficit) accumulated during development stage	(1,126,012)	(901,178)
	(110,262)	(248,178)
	\$ 202,532	\$ 1,505

**The accompanying notes are an integral part of these financial statements**



**Rubicon Financial Incorporated**

(formerly ISSG, Inc.)

(a Development Stage Company)

**Consolidated Statements of Operations****For the Three and Nine Months Ending September 30, 2006 and 2005****and For the Period April 24, 2002 (Inception) to September 30, 2006****(unaudited)**

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>		<b>April 24, 2002 (Inception) to September 30, 2006</b>
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	
Revenue	\$-	\$-	\$-	\$-	\$-
Expenses:					
Amortization expense	-	-	-	-	1,020
Consulting	-	-	-	-	39,000
Research and development	-	-	-	-	123,500
Impairment loss	-	-	-	22,500	22,500
Professional fees	24,000	-	41,450	-	102,021
Donated rent - related party	4,250	4,250	12,750	12,750	66,750
Donated services - related party	50,000	50,000	150,000	150,000	700,000
General and administrative expenses	4,068	16,369	6,817	75,239	33,502
Total expenses	82,318	70,619	211,017	260,489	1,088,293
Net operating (loss)	(82,318)	(70,619)	(211,017)	(260,489)	(1,088,293)
Other income (expense):					
Interest expense	(3,057)	(4,006)	(2,170)	(263)	(2,923)
Interest expense - related party	(3,959)	-	(11,675)	(11,294)	(34,931)
Interest income	28	-	28	-	135
Total other income	(6,988)	(4,006)	(13,817)	(11,557)	(37,719)
Net (loss)	\$(89,306)	\$(74,625)	\$(224,834)	\$(272,046)	\$(1,126,012)
Weighted average number of common shares outstanding - basic and fully diluted	10,779,077	10,739,773	10,751,692	10,626,254	
Net (loss) per share - basic and fully diluted	\$(0.01)	\$(0.01)	\$(0.02)	\$(0.03)	

**The accompanying notes are an integral part of these financial statements**



**Rubicon Financial Incorporated****(formerly ISSG, Inc.)****(a Development Stage Company)****Consolidated Statements of Cash Flows****For the Nine Months Ending September 30, 2006 and 2005****and For the Period April 24, 2002 (Inception) to September 30, 2006****(unaudited)**

	For the Nine Months Ended		April 24, 2002
	September 30,	2005	(Inception) to
	2006		September 30,
			2006
Cash flows from operating activities			
Net (loss)	\$ (224,834)	\$ (272,046)	\$ (1,126,012)
Amortization expense	-	-	1,395
Impairment expense	-	22,500	22,500
Founders shares	-	-	10,000
Donated services	150,000	150,000	700,000
Donated rent	12,750	12,750	66,750
Shares issued for services	-	39,000	39,000
Adjustments to reconcile net (loss) to net cash (used) in operating activities:			
Accrued interest receivable	(28)	-	(28)
Accounts payable	6,891	9,700	60,796
Accrued liabilities	-	(18,839)	-
Accrued interest payable	-	-	363
Accrued interest - related party	11,676	11,292	34,932
Net cash (used) by operating activities	(43,545)	(45,643)	(190,304)
Cash flows from investing activities			
Purchase of intangible assets	-	-	(23,895)
Proceeds for notes receivable	(20,000)	-	(20,000)
Net cash (used) by investing activities	(20,000)	-	(43,895)
Cash flows from financing activities			
Proceeds from notes payable	5,000	-	5,000
Payments on notes payable	-	-	-
Proceeds from notes payable related party	8,640	6,150	161,214
Payments on notes payable related party	(1,400)	-	(5,200)
Proceeds from line of credit	42,119	14,700	66,900
Payments on line of credit	(9,815)	(1,922)	(11,211)
Issuance of common stock	200,000	-	200,000
Net cash provided by financing activities	244,544	18,928	416,703
Net (decrease) increase in cash	180,999	(26,715)	182,504
Cash beginning	1,505	27,273	-
Cash ending	\$ 182,504	\$ 558	\$ 182,504
Supplemental disclosures:			
Interest paid	\$ 2,539	\$-	\$ 3,106
Income taxes paid	\$-	\$-	\$-



**The accompanying notes are an integral part of these financial statements**

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**Rubicon Financial Incorporated**

(formerly ISSG, Inc.)

(A Development Stage Company)

**Notes to Consolidated Financial Statements**

**Note 1 Basis of presentation**

The accompanying unaudited consolidated interim financial statements of Rubicon Financial Incorporated (RBCF) have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission, and should be read in conjunction with RBCF's audited 2005 annual consolidated financial statements and notes thereto. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the consolidated financial statements, which would substantially duplicate the disclosures required in RBCF's 2005 annual consolidated financial statements have been omitted.

**Note 2 Summary of significant accounting policies**

Concentration of credit risk for cash deposits

Financial instruments that potentially subject RBCF to credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At September 30, 2006, RBCF had approximately \$80,000 in excess of FDIC insured limits.

Reclassifications

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

**Note 3 Going concern**

The accompanying financial statements have been prepared using the generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. For RBCF to continue as a going concern it must seek additional sources of capital, and it must attain future profitable operations. RBCF is currently initiating its business plan and is in the process of raising additional capital. The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

**Note 4 Notes receivable**

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On September 22, 2006, RBCF loaned an individual \$20,000. The note receivable bears interest at 6% per annum. The entire balance of principal and interest is due on January 1, 2007. As of September 30, 2006, the balance of accrued interest receivable was \$28.

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**Rubicon Financial Incorporated**

(formerly ISSG, Inc.)

(A Development Stage Company)

**Notes to Consolidated Financial Statements**

**Note 5 Notes payable**

Short-term debt consists of the following at September 30, 2006:

	September 30, 2006
Overdraft line of credit to the bank for \$10,000, unsecured, personally guaranteed by an officer and majority shareholder, interest at 14.25%	\$ 5,619
Business line of credit to the bank for \$45,000, unsecured, personally guaranteed by an officer and majority shareholder, interest at 8.75%	45,493
Business line of credit to the bank for \$5,000, unsecured, personally guaranteed by an officer and majority shareholder, interest at 9.75%	4,940
Demand note payable, unsecured, 0% interest	5,000
	\$ 61,052

Interest expense for the nine months ended September 30, 2006 and 2005 was \$2,170 and \$263, respectively.

**Note 6 Stockholders (Deficit)**

On August 24, 2006, RBCF issued a total of 100,000 shares of its \$0.001 par value common stock and 100,000 Series A Common Stock Purchase Warrants in exchange for cash of \$200,000. The shares were issued in October 2006.

**Note 7 Warrants**

On August 24, 2006, RBCF issued 100,000 Series A Common Stock Purchase Warrants to an individual in conjunction with equity financing. The 100,000 Series A Common Stock Purchase Warrants gives the holder the right to purchase 100,000 shares of common stock of RBCF for an aggregate purchase price of \$300,000 or \$3 a share. The aggregate fair value of such warrants totaled \$192,628 based on the Black Scholes Merton pricing model using the following estimates: 5% risk free rate, 100% volatility and expected life of the warrants of 3 years. Due to the allocation of the proceeds received from the sale of the common stock and warrants, the fair value of the warrants were \$78,204.



**Rubicon Financial Incorporated**

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(A Development Stage Company)

**Notes to Consolidated Financial Statements**

The following is a summary of the status of all of the Company's stock warrants as of September 30, 2006 and 2005 and changes during the nine months ended on those dates:

	<i>Number</i>	<i>Weighted-Average</i>
	<i>Of Shares</i>	<i>Exercise Price</i>
Outstanding at December 31, 2004	-	\$ 0.00
Granted	-	\$ 0.00
Exercised	-	\$ 0.00
Cancelled	-	\$ 0.00
Outstanding at September 30, 2005	-	\$ 0.00
Granted	-	\$ 0.00
Exercised	-	\$ 0.00
Cancelled	-	\$ 0.00
Outstanding at December 31, 2005	-	\$ 0.00
Granted	100,000	\$ 3.00
Exercised	-	\$ 0.00
Cancelled	-	\$ 0.00
Outstanding at September 30, 2006	100,000	\$ 3.00
Options exercisable at September 30, 2005	0	\$ 0.00
Options exercisable at September 30, 2006	100,000	\$ 3.00

The following tables summarize information about stock warrants outstanding and exercisable at September 30, 2006:

**STOCK WARRANTS OUTSTANDING**

*Weighted-Average*

	<i>Number of</i>	<i>Remaining</i>	<i>Weighted-</i>
	<i>Shares</i>	<i>Contractual</i>	<i>Average</i>
<i>Exercise Price</i>	<i>Outstanding</i>	<i>Life in Years</i>	<i>Exercise Price</i>
\$ 3.00	100,000	2.9	\$ 3.00
	100,000	2.9	\$ 3.00

**STOCK WARRANTS EXERCISABLE**

*Number of*                      *Weighted-*

<i>Exercise Prices</i>	<i>Shares</i>	<i>Average</i>
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	<i>Exercisable</i>	<i>Exercise Price</i>
\$ 3.00	100,000	\$ 3.00
	100,000	\$ 3.00

**Note 8 Related party transactions**

To date, RBCF's operations have been funded by the sole officer of Dial-A-Cup, our wholly owned subsidiary. As of September 30, 2006, total amounts loaned to RBCF by this officer were \$156,014. The proceeds loaned have been used to fund operations and for the development of a prototype of ISSG's beverage dispenser. The note bears interest of 10% per annum and is due on

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**Rubicon Financial Incorporated**

**(formerly ISSG, Inc.**

**(A Development Stage Company)**

**Notes to Consolidated Financial Statements**

demand. During the nine months ended September 30, 2006 and 2005, \$11,675 and \$11,294 of interest expense has been recorded related to the note, respectively.

For the nine months ended September 30, 2006 and 2005, RBCF recorded \$150,000 and \$150,000, respectively, in compensation expense reflecting RBCF's estimate of the fair value of the services of its two officers. These amounts have been reflected in donated capital-related party services on the accompanying consolidated statements of operations and additional paid-in capital on the accompanying consolidated balance sheet.

Due to its limited operations, RBCF has not rented office space. RBCF is currently operating out of the residences of two officers. RBCF has estimated the fair value of rents contributed by these officers using an estimated market price of rent for office space in the surrounding areas. During the nine months ended September 30, 2006 and 2005, RBCF recorded \$12,750 and \$12,750, respectively, in rent expense reflecting RBCF's estimate of the fair value of rents in the surrounding area. These amounts have been reflected in rent expense on the accompanying consolidated statements of operations and a corresponding increase in additional paid-in capital on the accompanying consolidated balance sheet.



## 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 objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements may include the words may, could, estimate, intend, continue, believe, expect or anticipate or other similar terms. These forward-looking statements present our estimates and assumptions only as of the date of this report. Except for our ongoing securities laws, we do not intend, and undertake no obligation, to update any forward-looking statement.

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:

- our current lack of working capital;
- increased competitive pressures from existing competitors and new entrants;
- increases in interest rates or our cost of borrowing or default under any material debt agreements;
- inability to raise additional financing;
- inability to locate potential mergers and acquisitions within the financial services industry;
- deterioration in general or regional economic conditions;
- adverse state or federal legislation or regulation that increases the costs of compliance, or adverse findings by a regulator with respect to existing operations;
- inability to efficiently manage our operations;
- inability to achieve future sales levels or other operating results;
- the unavailability of funds for capital expenditures; and
- operational inefficiencies in distribution or other systems.

For a detailed description of these and other factors that could cause actual results to differ materially from those expressed in any forward-looking statement, please see Factors That May Affect Our Plan of Operation in this document and in our Annual Report on Form 10-KSB for the year ended December 31, 2005.

## Item 2. Plan of Operation

### OVERVIEW AND OUTLOOK

We were originally incorporated in Delaware on April 28, 1986 under the name Art World Industries, Inc. On August 6, 2002, we changed our name to ISSG, Inc. On March 9, 2004, we completed the acquisition of Dial-A-Cup Corporation, a New York Corporation, whereby we issued 10,000,000 shares of our common stock in exchange for 100% of the issued and outstanding shares of Dial-A-Cup. Dial-A-Cup remained as our wholly owned subsidiary. On June 2, 2005, we completed a merger with Rub Investments Ltd., ( Rub ) a company reporting under the Exchange Act. Following the merger, in accordance with Rule 12g-3(a) of the General Rules and Regulations of the Securities and Exchange Commission, we were the successor issuer to Rub for reporting purposes under the Exchange Act. On September 6, 2006, we held our annual shareholders meeting and our shareholders approved the amendment to our Certificate of Incorporation to change our corporate name to Rubicon Financial Incorporated ( Rubicon ).

Through our wholly-owned subsidiary Dial-A-Cup Corporation, we have developed a hot water dispensing system that will brew one fresh cup of coffee, tea, hot chocolate, soup, etc. on demand. The appliance features a rotating cylinder with six (6) individual compartments, each with its own permanent filter, which allows the user to brew their favorite beverages without the need to purchase special pouches or pods .

Dial-A-Cup 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 are currently being manufactured from the recently completed molds for submission for UL approval.

For the last two fiscal years ended December 31, 2005 and 2004, we sustained net losses of \$344,471 and \$340,474, respectively. At September 30, 2006, we had a working capital deficit of \$110,262. As a result of our financial condition, our financial statements for the period ended September 30, 2006 reflects the fact that without the realization of additional capital, it would be unlikely for us to continue as a going concern.

### CURRENT OPERATIONS

On April 12, 2006, we executed an Agreement and Plan of Merger by and among ISSG; ISSG Sub Inc. ( Merger Sub ), a Florida corporation and our wholly owned subsidiary, and Advantage Investment Strategies, Inc. ( AIS ), a Florida corporation. On July 17, 2006, the respective Boards of Directors determined that the proposed merger of ISSG Sub with and into AIS pursuant to the April 12, 2006 merger agreement was no longer consistent with, and in furtherance of, their respective business strategies and goals. Therefore, the merger agreement was terminated.

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Although the agreement with Advantage Investment Strategies was terminated, Rubicon intends to locate potential acquisitions of private companies in the financial services industry in the upcoming quarters. In connection with our plan, we have entered into several non-binding letters of intent to acquire businesses upon the successful completion of an equity financing. Following completion of the acquisitions, if ever, we plan to spin-off our current wholly-owned operating subsidiary, Dial-A-Cup, to Rubicon's shareholders on a pro-rata basis. However, until we have completed an acquisition of a financial service company, we will continue to maintain our original business plan through our subsidiary, Dial-A-Cup.

On September 6, 2006, we held our annual shareholders' meeting in which we changed our corporate name to Rubicon Financial Incorporated and elected a new member to our board of directors. The shareholders elected Joseph Mangiapane, Jr. as a director and immediately following the shareholders meeting, the board of directors appointed Mr. Mangiapane as the Chief Executive Officer. Mr. Mangiapane's father is the sole officer and director of Dial-A-Cup, a wholly owned subsidiary of the Company.

### *Satisfaction of our cash obligations for the next 12 months.*

Our plan of operation has been stalled by our lack of cash. Under our current plan of operation with Dial-A-Cup we would be required to generate or raise at least \$115,000 (minimal cash requirement) to continue in operation for the next 12 months. During our third quarter and in anticipation of pursuing opportunities in the financial services industry, we initiated a private placement to raise up to \$5 million. At the time of this filing we have raised \$200,000 and sold 8 units to one investor.

Additionally, in order to obtain cash resources, we entered into two business lines of credit with a bank for a maximum of \$50,000, plus an additional \$10,000 overdraft protection for our checking account. The interest rate for borrowings is the prime rate plus 0.5% per annum. A small annual fee is required to keep the credit facility available. The credit facility is personally guaranteed by an officer and majority shareholder.

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

We do not anticipate performing any additional significant product research and development under our plan of operation with Dial-A-Cup or in the financial services industry, if and when we enter into that line of business.

### *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.*

Currently, none of the officers work full time but devote whatever time is necessary for them to assist in the operations of the Company. Therefore, we will need to hire full time operational staff as our operations commence under Dial-A-Cup or as we expand into a new line of business.

In addition to our officers and as we expand in the financial services industry, we may hire additional technical, operational and administrative personnel as appropriate. However, in the meantime, we intend to use the services of independent consultants and contractors to perform various professional services, when appropriate. We believe that this use of third-party service providers may enhance our ability to contain general and administrative expenses.

**LIQUIDITY AND CAPITAL RESOURCES**

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

The following table summarizes current assets, liabilities and working capital at September 30, 2006 compared to December 31, 2005.

	<b>September 30, 2006</b>	<b>December 31, 2005</b>	<b>Increase / (Decrease)</b>	
			<b>\$</b>	<b>%</b>
Current Assets	\$202,532	\$1,505	\$201,027	13,357%
Current Liabilities	\$312,794	\$249,683	\$63,111	25%
Working Capital (Deficit)	\$(110,262)	\$(248,178)	\$(137,916)	(56%)

In 2005, we entered into two business lines of credit with a bank for a maximum of \$50,000, plus an additional \$10,000 overdraft protection for our checking account. The interest rate for borrowings is the prime rate plus 0.5% per annum.

To date, our operations have been primarily funded by the sole officer of Dial-A-Cup. As of September 30, 2006, total amounts owed in principal and interest to this officer was \$156,014. The proceeds loaned have been used to fund operations and for the development of a prototype of our beverage dispenser. The note bears interest at 10% per annum and is due on demand. For the nine months ended September 30, 2006 and 2005, \$11,675 and \$11,294, respectively, of interest expense has been recorded related to the note. As we expand our activities, we expect to continue to experience net negative cash flows from operations, pending receipt of sales revenues.



Over the next twelve months we believe that existing capital and anticipated funds from operations will not be sufficient to sustain operations or planned expansion. Accordingly, we began to seek additional funding for operations through equity offerings and may need to further do so in the future through additional financing, acquisitions, joint ventures or other means available to us. There can be no assurance that we will be able to complete a transaction or complete a transaction on terms favorable to us or our shareholders. During this quarter we raised \$200,000 from the sale of 8 units, consisting of restricted stock and series A warrants. We have not closed this offering and have authorized up to 200 units to be sold under this offering.

Furthermore, we anticipate incurring operating losses over the next twelve months. Our lack of operating history makes predictions of future operating results difficult to ascertain. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development. Such risks include, but are not limited to, an evolving and unpredictable business model and the management of growth.

### **Going Concern**

The accompanying financial statements have been prepared using the generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. For Rubicon to continue as a going concern it must seek additional sources of capital, and it must attain future profitable operations. Rubicon is currently initiating its business plan and is in the process of raising additional capital. The financial statements do not include any adjustments that might be necessary should Rubicon be unable to continue as a going concern.

We have incurred accumulated net losses of \$1,126,012 from April 24, 2002 (inception) through the period ended September 30, 2006 and have no sales. Our future is dependent upon our ability to obtain financing and upon future profitable operations from the development of new business opportunities. Management has plans to fund operations through equity offerings, financings, mergers, joint ventures or other means available to us. There can be no assurance that we will be able to complete a transaction or complete a transaction on terms favorable to Rubicon or its shareholders. These conditions raise substantial doubt about our ability to continue as a going concern.

### **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.

**FACTORS THAT MAY AFFECT OUR PLAN OF OPERATION**

Risks Relating To Our Business and Marketplace

***We are a development stage company and have minimal operating history, which raises substantial doubt as to our ability to successfully develop profitable business operations.***

We were incorporated to engage in the business of designing and developing a hot beverage dispenser. We have yet to generate significant revenues from operations and have been focused on organizational, start-up, and market analysis activities since we incorporated. Although we have received two patents and one additional patent pending, there is nothing at this time on which to base an assumption that our business operations will prove to be successful or that we will ever be able to operate profitably.

***We will 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 or our stockholders, which 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 may not be sufficient enough to fund our operations through fiscal 2006. In that event, we would 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.

***Our company has no operating history in the financial services industry and there can be no assurance that we will be successful in the entry into the industry or that we will be able to develop our business plan to integrate intended new line of business.***

Our proposed operations are subject to all of the risks inherent in the establishment of a new business, including licensing risks, insufficient capital, unforeseen problems, and expenses and complications encountered with the early phases of operations in a business. Moreover, our lack of an operating history in the financial services industry makes it impossible to predict whether or not the company will operate profitably if it is able to successfully enter such industry. While we intend to bring on management and/or directors that are familiar with this industry, there can be no assurances that we will be able to locate, hire and retain the necessary personnel to initiate, manage and operate this new line of business, develop and implement necessary systems, obtain contracts and obtain financing as contemplated in our business plan.

***We may not be successful in executing or integrating in potential acquisitions of companies involved in the financial services industry.***





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At the time of this filing, we have only executed non-binding letters of intent to acquire businesses involved in the financial services industry. However, if and when we complete final acquisition agreements, there can be no assurance that these acquisitions will be successfully integrated and may materially adversely affect our business. Some potential risks in acquiring other companies are: difficulties in integrating operations; diversion of management's attention from daily operations; management's experience in the acquired industries; and increased costs of restructuring and related expenses. Failure to manage and address these mentioned risks could harm our business.

***Our limited resources may prevent us from retaining key employees or inhibit our ability to hire and train a sufficient number of qualified management, professional, technical and regulatory personnel.***

Our success may also depend on our ability to attract and retain other qualified management and sales and marketing personnel. Currently, we have a limited number of personnel that are required to perform various roles and duties as a result of our limited financial resources. We intend to use the services of independent consultants and contractors to perform various professional services, when appropriate to help conserve our capital. However, if and when we determine to acquire additional personnel, we will compete for such persons with other companies and other organizations, some of which have substantially greater capital resources than we do. We cannot give you any assurance that we will be successful in recruiting or retaining personnel of the requisite caliber or in adequate numbers to enable us to conduct our business.

***Our auditor's report reflects the fact that without realization of additional capital, it would be unlikely for us to continue as a going concern.***

As a result of our deficiency in working capital at December 31, 2005 and other factors, our auditors have included a paragraph in their audit report regarding substantial doubt about our ability to continue as a going concern. Our plans in this regard are to seek merger or acquisition candidates, seek additional funding through future equity private placements or debt facilities.

### Risks Relating To Our Common Stock

***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;

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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.

***If we fail to remain current on our reporting requirements, we could be removed from the OTC Bulletin Board which would limit the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.***

Companies trading on the OTC Bulletin Board, such as us, must be reporting issuers under Section 12 of the Securities Exchange Act of 1934, as amended, and must be current in their reports under Section 13, in order to maintain price quotation privileges on the OTC Bulletin Board.

More specifically, NASD has enacted Rule 6530, which determines eligibility of issuers quoted on the OTC Bulletin Board by requiring an issuer to be current in its filings with the Commission. Pursuant to Rule 6530(e), if we file our reports late with the Commission three times in a two-year period or our securities are removed from the OTC Bulletin Board for failure to timely file twice in a two-year period then we will be ineligible for quotation on the OTC Bulletin Board. As a result, the market liquidity for our securities could be severely adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

***Currently a very limited market exists for our common stock since we have only recently commenced quotation on the OTC Bulletin Board***

There currently is a limited market for our shares and there can be no assurance that any such market will fully develop or be maintained. Any trading market that may develop in the future will most likely be very volatile, and numerous factors beyond our control may have a significant effect on the market.

***NASD 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, the National Association of Securities Dealers (NASD) 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

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interpretations of these rules, the NASD believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The NASD 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.

### Item 3. Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the specified time periods. As of the end of the period covered by this report, Joseph Mangiapane, Jr., our Chief Executive Officer, and Terence Davis, our Principal Financial Officer evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based on the evaluation, which disclosed no significant deficiencies or material weaknesses, Mr. Mangiapane and Mr. Davis, our Chief Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting him to material information required to be included in our periodic SEC filings. There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

It should be noted, however, that no matter how well designed and operated, a control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems (including faulty judgments in decision making or breakdowns resulting from simple errors or mistakes), there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions. Additionally, controls can be circumvented by individual acts, collusion or by management override of the controls in place.

## PART II--OTHER INFORMATION

### Item 1. Legal Proceedings

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are not presently a party to any material litigation, nor to the knowledge of management is any litigation threatened against us, which may materially affect us.

**Item 2. Changes in Securities**

Recent Sales of Unregistered Securities

Currently we are conducting a private placement of investment units at \$25,000 per unit. At the time of this filing we have sold approximately 8 units to 1 accredited investor for approximate proceeds of \$200,000. Each unit consists of 12,500 shares of restricted common stock and 12,500 series A warrants to purchase shares of our restricted common stock at \$3.00 per share. The shares were issued on October 13, 2006. We believe that the sale of the units was exempt from registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Sections 4(2), and/or Regulation D, Rule 506. The units were sold directly by us to an accredited investor and did not involve a public offering or general solicitation. The purchaser of the units was afforded an opportunity for effective access to files and records of our company that contained the relevant information needed to make his investment decision, including our financial statements and 34 Act reports. We reasonably believed that the purchaser, immediately prior to selling the shares, had such knowledge and experience in our financial and business matters that he was capable of evaluating the merits and risks of his investment. The purchaser had the opportunity to speak with our management on several occasions prior to his investment decision.

**Item 3. Defaults by the Company upon its Senior Securities**

None.

**Item 4. Submission of Matters to a Vote of Security Holders**

We held our annual meeting of shareholders on September 6, 2006. Business conducted at the meeting included the following proposals:

1. To elect a new Board of Directors for ISSG to hold office until the next annual Stockholder s meeting, (current nominations are for Joseph Mangiapane, Jr., Terence Davis, Brad Bunch, James Udel, and Craig Triance);
2. To amend ISSG s Certificate of Incorporation to change its corporate name to Rubicon Financial Incorporated .
3. To reaffirm Malone & Bailey, PC\* as auditors for the next year;
4. To transact such other business as may properly come before the Annual meeting or any adjournment or postponement.

\* At the time of our shareholders meeting, Malone & Bailey, PC were our current auditors but subsequently we appointed De Joya Griffith & Company, LLC to be our auditors for the year ending December 31, 2006.

Each share of Common Stock was entitled to one vote. Only shareholders of record at the close of business on August 1, 2006, were entitled to vote. The number of outstanding shares of common stock at the time was 10,739,573. The required quorum of shareholders was present at the meeting in person or by proxy.

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Votes on the election of the new directors were as follows:

Director	For	Against	Abstentions
Joseph Mangiapane, Jr.	10,591,739	0	0
Terence Davis	10,591,739	0	0
Brad Bunch	10,591,739	0	0
James Udel	10,591,739	0	0
Craig Triance	10,591,739	0	0

### Item 5. Other Information

None.

### Item 6. Exhibits and Reports on 8-K.

#### a) Exhibits

- 2.1 Agreement and Plan of Merger Between ISSG, Inc. and Rub Investments, Inc. *(Filed as an Exhibit to the Company's Current Report on Form 8-K, filed with the Commission on May 17, 2005, and incorporated herein by reference).*
  - 2.2\*\* Delaware Certificate of Merger
  - 2.3\*\* Nevada Articles of Merger
  - 3.1(i)(a)\*\*\* ISSG, Inc. Articles of Incorporation
  - 3.1(i)(b)\*\*\* ISSG, Inc. Certificate of Correction of Articles of Incorporation
  - 3.1(i)(c)\*\*\* ISSG, Inc. Amendment to Articles of Incorporation
  - 3.1(i)(d) Amendment to Certificate of Incorporation Changing Name from ISSG, Inc. to Rubicon Financial Incorporated *(Filed as an Exhibit to the Company's Current Report on Form 8-K, filed with the Commission on September 8, 2006, and incorporated herein by reference).*
  - 3.1(ii)\*\*\* ISSG, Inc. Bylaws
  - 10.1 Agreement and Plan of Merger Between ISSG, Inc. and Advantage Investment Strategies, Inc. *(Filed as an Exhibit to the Company's Current Report on Form 8-K, filed with the Commission on April 18, 2006, and incorporated herein by reference)*
  - 10.2 Termination Agreement Between ISSG, Inc. and Advantage Investment Strategies, Inc. *(Filed as an Exhibit to the Company's Current Report on Form 8-K, filed with the Commission on July 20, 2006, and incorporated herein by reference)*
  - 31.1\* Certification of Joseph Mangiapane, Jr., Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act
  - 31.2\* Certification of Terence Davis, Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act
  - 32.1\* Certification of Joseph Mangiapane, Jr., Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act
  - 32.2\* Certification of Terence Davis, Principal Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act
- \* Filed herewith

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- \*\* Filed as an Exhibit to the Company's Current Report on Form 8-K, filed with the Commission on June 13, 2005 and incorporated herein by reference
- \*\*\* Filed as an Exhibit to the Company's Form 10-KSB, filed with the Commission on April 5, 2006, and incorporated herein by reference

### **b) Reports on Form 8-K**

Form 8-K filed on July 20, 2006 Item 1.02 and Item 9.01

Form 8-K filed on September 8, 2006 Item 5.02; Item 5.03; and Item 9.01

Form 8-K filed on November 1, 2006 Item 4.01 and Item 9.01

### **SIGNATURES**

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

RUBICON FINANCIAL INCORPORATED

(Registrant)

By: /s/ Terence Davis  
Terence Davis, President  
(On Behalf of the Registrant and  
  
as Principal Accounting Officer)

Date: November 20, 2006