RUBICON FINANCIAL INC
Form 10-K
March 29, 2013

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2012

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 x No

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

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporation Website, if any, every Interactive Date 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). x 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. x

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 x

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

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. $3,880,975.60 based on a share value of $0.40.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. 15,089,023 shares of common stock, $0.001 par value, outstanding on March 27, 2013, which does not include 250,000 shares authorized but unissued.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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FORWARD-LOOKING STATEMENTS

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

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

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

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

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.

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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 or on our website at 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, which does business as Newport Coast Asset Management as a registered investment advisor and dual registrant with the Securities and Exchange Commission and Newport Coast Securities insurance general agency.

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. The information on our website is for information purposes only and is not incorporated by reference into this report.

Business Development

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. In addition, on March 9, 2004, we completed the acquisition of a wholly owned subsidiary, Dial-A-Cup Corporation, a New York Corporation, which was re-domiciled in Nevada on May 18, 2007. Further, on June 2, 2005, we completed a merger with Rub Investments Ltd., ("Rub") a company reporting under the Securities Exchange Act of 1934, as amended ("Exchange Act"). Following the merger with Rub, 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 changed our name to Rubicon Financial Incorporated. Lastly, on August 22, 2011 we entered into an Agreement and Plan of Merger and Reincorporation with Rubicon Financial Incorporated, a newly-formed Nevada corporation ("Rubicon NV"), in order to change our domicile from Delaware to Nevada. Pursuant to the terms of the Agreement and Plan of Merger and Reincorporation, we merged with and into Rubicon NV, making Rubicon NV the surviving corporation. The merger for reincorporation was completed on August 29, 2011.

OUR BUSINESS

Overview

We have established our headquarters in Orange County, California to capitalize on what our management believes to be a large and affluent demographic base for our services. All of our revenue generating operations are currently conducted through Newport Coast Securities, Inc., a FINRA/SEC registered broker dealer ("NCS"). The types of financial services we offer through NCS as follows: insurance; investment banking services for small to mid-sized companies; securities market making; 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.

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 137 registered representatives in 54 branch offices producing in excess of $14.6 million in revenues for the year ended December 31, 2012.

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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 Penson Financial Services, LLC 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. 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 (registration in Maine is pending) and the District of Columbia and is currently approved to expand to 184 registered representatives and 95 offices.

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

One asset class that Newport Coast Securities offers is Alternative Investments. Where most traditional wirehouses and even some larger independent brokerages do not allow their brokers to provide their qualified clients with access to these instruments, Newport Coast Securities believes that there are many benefits to being able to offer Alternative Investments. 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, Tenant-in-Common investments, 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 executive management of Newport Coast Securities supports its due diligence in this area with over 30 years of experience, in both up and down cycles, in alternative investments, with a focus on protecting the client in the selection of these products.

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Insurance

Newport Coast Insurance maintains top level contracts with preferred insurance company providers of all insurance products including fixed and variable annuity products, variable universal life, long-term care, disability and life insurance products for estate planning. Newport Coast Securities partners with only highly rated, reputable companies providing the latest innovative products to meet each client's needs. Newport Coast Insurance offers a network of insurance professionals experienced in all lines and products to assist clients with their needs.

Trading and Brokerage

NCS has established affiliations with highly regarded marker makers, which allows NCS's customers more effective and efficient execution of orders. In the past, NCS's trading as dealer has been conducted primarily with other dealers in the "wholesale market" and in support of investment banking clients. Services are directed to the needs of firms listed and trading as NASDAQ Capital Market, AMEX, Over-the-Counter Bulletin Board and Pink Sheets needing liquidity sources, stock price support and order management. NCS provides brokerage services to individuals, institutions and its investment banking corporate clients. NCS's account executives handle large, complex portfolios. Institutional brokerage services are provided to corporate clients and fund managers of income, equity and hedge funds. Corporate clients are provided with the benefits of trading, extensive knowledge of market making, and investor relations services. Multiple securities clearing platforms available allow NCS to accommodate the widest range of client account requirements.

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

Our corporate executives and employees are located in our Orange County, California office. Rubicon internal departments include information technology, operations, human resources, finance and accounting, legal and compliance.

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.

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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, 2012, NCS had net capital of $142,211 which was $42,211 in excess of its required net capital of $100,000.

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 shareholders, unaffiliated third parties or banks to supplement our working capital needs.

Competition

Our primary competitors will be local and regional banks that provide similar comprehensive financial services and full service independent contractor broker-dealers. However, typically our bank competitors focus on the commercial banking side of their business and there does not appear to be many companies of our intended size that offer such a wide variety of products and services.

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.

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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 shareholders. 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.

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 (Maine is currently pending). 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.

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.

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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.

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 shareholders on a ten for one basis (each of our shareholders 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 shareholders. 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 shareholders 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.

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 are currently being manufactured from the recently completed molds for submission for UL approval.

There is a wide and varied customer base for beverage systems. Initial marketing will 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 poor sales 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 and recently DAC has engaged in discussions with a major coffee company, which may allow DAC to offer a greater selection of blends at a consumer friendly price.

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.

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.

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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 year ended December 31, 2012, and only a modest profit for the year ended December 31, 2011. 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 2013, if we are unable to sustain profitability, 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 2013. 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.

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

Our broker dealer subsidiary has 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 its activities. Certain of the actual or threatened legal 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 that would otherwise be the primary defendants in such cases are bankrupt or in financial distress. 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.

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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 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.

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.

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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. 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.

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.

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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.

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.

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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.

The financial services industry is subject to extensive regulation, which is undergoing major changes.

As a financial services firm, 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 it operates. We also face the risk of investigations and proceedings by governmental and self-regulatory agencies in all states in which we conduct our business. 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. 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.

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.

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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.

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.

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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, 2012, the average daily trading volume was estimated to be approximately 2,276 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 $0.38 to a low of $0.17. 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.

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 shareholder 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.

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

During fiscal 2012 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.

Item 2. Properties.

Our corporate headquarters are located at 18872 MacArthur Blvd., First Floor, Irvine, California 92612. Our wholly owned subsidiary, Newport Coast Securities, Inc., 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, Newport Coast Securities also signed a two year lease for office space in New York, New York for $8,300 per month. 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.

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 that would otherwise be the primary defendants in such cases are bankrupt or in financial distress.

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

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

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

Rubicon Financial Incorporated v. Grant Bettingen

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

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

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

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

Appeal Decisions

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

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 December 7, 2011, we were served with a Notice of Entry of Judgment on Sister-State Judgment resulting from a default judgment entered against us from the District Court of Harris County, Texas 281st Judicial District on or about August 19, 2011 the ("Default Judgment"). The Default Judgment was granted to American International Industries, Inc. ("AMIN") against us in the amount of $2,030,114.40.

On May 1, 2012, the District Court of Harris County, Texas granted us a final summary judgment on bill of review against AMIN. The summary judgment set aside and rendered the Default Judgment without force or effect.

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Further, the final summary judgment reinstated the case (Cause No. 2010-14604) styled AMIN v. Rubicon Financial Incorporated. On May 24, 2011, AMIN filed a Motion for New Trial and we filed a response. At the time of hearing, the Court took the arguments of counsel under advisement and, on July 12, 2012, the Court granted the new trial, specifically setting out that new trial was being granted on the issue of negligence. We amended our Bill of Review and immediately filed a Second Motion for Summary Judgment, which was heard in September of 2012. On October 1, 2012, the Court (i) granted our Second Motion for Summary Judgment and Petition for Bill of Review, (ii) vacated the Default Judgment, and (iii) ordered a new trial on the merits in Cause No. 2011-75606, styled American International Industries, Inc. v. Rubicon Financial Inc.

AMIN's suit alleges 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 us and AMIN. The agreement with AMIN was for an aggregate of $2,000,000 through the sale and issuance of 1,000,000 shares of our restricted common stock for $2.00 per share. Pursuant to the agreement, we issued 1,000,000 shares of our 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.

We believe AMIN's claims are totally without merit and intend to vigorously defend ourselves from this malicious suit. However, we can provide no assurance as to the ultimate outcome of this matter and if a judgment is granted it will have a material adverse effect upon the Company. As of December 31, 2011, $2,030,114 had been accrued in our consolidated financial statements. During the nine months ended September 30, 2012, the default judgment was set aside and we lowered the $2,030,114 accrual to $268,000, resulting in lawsuit settlement income of $1,762,114 during the nine months ended September 30, 2012.

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 the Series B Preferred Stock described in Item 9B below to contribute capital into Newport Coast Securities, Inc. Accordingly, the regulatory capital of Newport Coast Securities, Inc. will not change as a result of the award.

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 $472,500 and $421,350 as of December 31, 2012 and 2011, 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.

None.

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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 OTC:BB and 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 2012 and 2011. The quotations reflect inter-dealer prices without retail mark-up, markdown, or commissions and may not represent actual transactions.

	2012		2011	
	High	Low	High	Low
1st Quarter	$ 0.28	$ 0.14	$ 0.50	$ 0.25
2nd Quarter	$ 0.40	$ 0.20	$ 0.30	$ 0.20
3rd Quarter	$ 0.42	$ 0.15	$ 0.39	$ 0.30
4th Quarter	$ 0.38	$ 0.15	$ 0.39	$ 0.02

(b) Holders of Common Stock

As of March 27, 2013, there were approximately 458 holders of record of our Common Stock and 15,089,023 shares outstanding. As of March 27, 2013, 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 shareholder 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 hall 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.
(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, 2012, we had 500,000 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.

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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, 2012, we issued 1,868,750 shares of restricted stock under the 2007 stock acquisition plan.

Recent Sales of Unregistered Securities

On February 23, 2013, we sold 426,000 shares of our newly authorized Series B Convertible Preferred Stock to one of our directors, Kathleen McPherson, for $426,000 in cash. We believe the sale of the shares was exempt from the registration and prospectus delivery requirement of the Securities Act of 1933, as amended, by virtue of Section 4(2). The shares were sold directly by us and did not involve a public offering or general solicitation. The recipient of the shares was afforded an opportunity for effective access to our files and records that contained the relevant information needed to make her investment decision, including our financial statements and 34 Act reports. We reasonably believed that the recipient had such knowledge and experience in our financial and business matters that she was capable of evaluating the merits and risks of her investment.

Issuer Purchases of Equity Securities

We did not repurchase any of our equity securities during the year ended December 31, 2012.

Item 6. Selected Financial Data.

Not applicable.

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 shareholders on a one for ten basis. The Separation and Distribution Agreement also provides that DAC will take all of the businesses, assets and liabilities relating to the DAC business previously held by us. DAC intends to file a registration statement on Form S-1 to register the shares of DAC common stock to be distributed. As of the date of this report, the Form S-1 has not been filed.

Overview of Financial Services

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

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Results of Operations

The following tables summarize selected items from the statement of operations for the years ended December 31, 2012 and 2011.

Revenue:

	Years Ended December 31, 2012	Years Ended December 31, 2011	Increase/(Decrease) $	Increase/(Decrease) %
Consolidated				
Revenue	$ 14,572,106	$ 15,311,941	$ (739,835)	(5%)
Operating expenses	14,785,278	15,283,936	(498,658)	(3%)
Net operating income (loss)	$ (213,172)	$ 28,005	$ -	-

Our revenues decreased 5% during fiscal 2012. The revenue decrease for the year over year periods is the result of decreases in revenues generated by NCS, primarily due to a reduction in registered representatives and resulting reduction in commissions.

During the year ended December 31, 2012, our operating expenses decreased by 3%, which tracked closely to our decrease in revenue. However, a substantial increase in professional fees for 2012, contributed to a net operating loss of $213,172, as opposed to a modest net operating income of $28,005 for 2011.

Selling and Administrative Expenses:

	Years Ended December 31, 2012	Years Ended December 31, 2011	Increase/(Decrease) $	Increase/(Decrease) %
Commissions and other direct costs	$ 11,456,901	$ 12,261,299	$ (804,398)	(7%)
Consulting	110,487	371,944	(261,457)	(70%)
Professional fees	701,619	308,070	393,549	128%
Executive compensation	694,890	624,816	70,074	11%
General expenses	1,803,401	1,690,769	112,632	7%
Depreciation	17,980	27,038	(9,058)	(34%)
Operating expenses	$ 14,785,278	$ 15,283,936	$ (498,658)	(3%)

Operating expenses decreased by 3% in 2012 over the previous year ended December 31, 2011. This decrease was anticipated as we incurred less commissions and other direct costs and reduced consulting expenses by 70%; however, we experienced a substantial increase in professional fees (128%) resulting from litigation and arbitration claims.

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.

Other income and (expense)

	Years Ended December 31,	Increase/(Decrease)

	2012	2011	$	%
Consolidated				
Interest (expense)	$ (30,810)	$ (18,775)	$ 12,035	64%
Interest income	9,783	26,033	(16,250)	(62%)
Other income (expense)	-	29,742	(29,742)	-
Loss on uncollectable note receivable	-	(118,500)	118,500	-
Realized gain (losses) on investments	-	46,869	(46,869)	-
Legal settlement income (expense)	1,336,251	(2,030,114)	3,366,365	166%

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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 62% decrease in interest income as a direct result of lower cash balances held in interest bearing accounts. The 64% 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.

Satisfaction of our cash obligations for the next 12 months.

As of December 31, 2012, we had available cash of $1,785,736. 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 2013. 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. Currently, we employee 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.

The following table summarizes our current assets, liabilities and working capital at December 31, 2012 compared to December 31, 2011.

	December 31, 2012	December 31, 2011	Increase / (Decrease) $	Increase / (Decrease) %
Current Assets	$ 2,619,238	$ 2,512,224	$ 107,014	4%
Current Liabilities	3,257,168	4,742,934	(1,485,766)	(31%)
Working Capital (Deficit)	$ (637,930)	$ (2,230,710)	$ (1,592,780)	(71%)

A substantial portion of our current liabilities and resulting deficit in working capital as of December 31, 2011 was primarily the result of an accrued legal judgment granted to American International Industries, Inc. ("AMIN") against us in the amount of $2,030,114.40. This judgment was set aside in May of 2012 and resulted in a substantial decrease in current liabilities as of December 31, 2012.

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

We believe the $1,785,736 in un-restricted cash on hand at December 31, 2012 will be sufficient to sustain operations through fiscal 2013. 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, 2012 and 2011, 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.

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.

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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.

Weaver Martin & Samyn, 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 shareholders' investments.

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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, 2012 and 2011, 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, 2012 and 2011, 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/ Weaver Martin & Samyn, LLC
Weaver Martin & Samyn, LLC
Kansas City, Missouri
March 29, 2013

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Rubicon Financial Incorporated
Consolidated Balance Sheets

	December 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash	$ 1,785,736	$ 1,420,189
Cash – restricted	161,802	311,817
Marketable securities	60,493	55,864
Accounts receivable	402,708	527,019
Prepaid expenses	28,705	42,390
Notes receivable, current portion	66,235	69,941
Contracts advances, current portion	113,559	85,004
Total current assets	2,619,238	2,512,224
Fixed assets, net of accumulated depreciation of $268,347 and $250,367, respectively	26,017	41,019
Other assets:		
Contract advances	104,164	100,218
Capitalized financing costs	21,000	-
Deposits	11,916	14,607
Goodwill	2,403,671	2,403,671
Total other assets	2,540,751	2,518,496
Total assets	$ 5,186,006	$ 5,071,739
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 840,681	$ 725,380
Accrued expenses	557,139	805,778
Investment obligation	487,000	487,000
Deferred revenue	-	6,042
Line of credit	200,000	200,000
Note payable – current portion	254,335	67,270
Accrued legal judgment	445,513	2,030,114
Contingent liabilities	472,500	421,350
Total current liabilities	3,257,168	4,742,934
Long term liabilities		
Note payable	509,409	51,428
Stockholders' equity		
Preferred stock, $0.001 par value, 10,000,000 shares authorized, 62,500 shares issued and outstanding as of December 31, 2012 and 2011, respectively	63	63
Common stock, $0.001 par value, 100,000,000 shares authorized, 15,089,023 and 14,714,023 shares issued and outstanding	15,089	14,714

as of December 31, 2012 and December 31, 2011, respectively		
Common stock owed but not issued, 250,000 and 525,000 shares as of December 31, 2012 and December 31, 2011, respectively	250	525
Additional paid in capital	18,433,990	18,394,090
Other comprehensive gain (loss)	29,599	29,599
Accumulated (deficit)	(17,059,562)	(18,161,614)
Total stockholders' equity	1,419,429	277,377
Total liabilities and stockholders' equity	$ 5,186,006	$ 5,071,739

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

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Rubicon Financial Incorporated
Consolidated Statements of Operations

	For the Years Ended December 31, 2012	2011
Revenue	$ 14,572,106	$ 15,311,941
Expenses:		
Commissions and other direct costs	11,456,901	12,261,299
Consulting	110,487	371,944
Professional fees	701,619	308,070
Executive compensation	694,890	624,816
General and administrative expenses	1,803,401	1,690,769
Depreciation	17,980	27,038
Total expenses	14,785,278	15,283,936
Net operating income (loss)	(213,172)	28,005
Other income (expense):		
Interest expense	(30,810)	(18,775)
Interest income	9,783	26,033
Other income	-	29,742
Loss on uncollectable note receivable	-	(118,500)
Realized gain (losses) on investments	-	46,869
Legal settlement income (expense)	1,336,251	(2,030,114)
Total other income (expense)	1,315,224	(2,064,745)
Net income (loss) from continued operations	$ 1,102,052	$ (2,036,740)
Provision for income tax	-	-
Net income (loss)	$ 1,102,052	$ (2,036,740)
Other comprehensive income (loss):		
Adjustment to record other than temporary losses	-	46,869
Unrealized (loss) on securities	-	(88,108)
Total other comprehensive income (loss)	-	(41,239)
Net comprehensive loss	$ 1,102,052	$ (2,077,979)
Weighted average number of common shares outstanding – basic	15,018,612	14,695,667
– diluted	15,268,612	N/A
Net income (loss) per share – basic	$ 0.07	$ (0.14)
– diluted	0.07	N/A

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

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Rubicon Financial Incorporated
Statements of Changes in Stockholders' Equity

	Preferred Stock		Common Stock		Common Stock owed but not issued					To
							Additional Paid-in	Other Comprehensive	Accumulated	Stockl
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Income	(Deficit)	Eq
Balance, December 31, 2010	62,500	$ 63	14,048,023	$ 14,047	1,000,000	$ 1,000	$ 18,259,444	$ 70,838	$ (16,124,874)	$ 2,2
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	-	-	1
Note receivable settled with return of shares	-	-	(184,000)	(183)	-	-	(16,229)	-	-	(
Other comprehensive income (loss)	-	-	-	-	-	-	-	(41,239)	-	(4
Net (loss) for the year ended December 31, 2011	-	-	-	-	-	-	-	-	(2,036,740)	(2,0
Balance, December 31, 2011	62,500	$ 63	14,714,023	$ 14,714	525,000	$ 525	$ 18,394,090	$ 29,599	$ (18,161,614)	$ 2
Shares issued that were owed	-	-	275,000	275	(275,000)	(275)	-	-	-	
Shares issued for services	-	-	100,000	100	-	-	39,900	-	-	4
Net (loss) for the year ended December 31, 2012	-	-	-	-	-	-	-	-	1,102,052	1,1
Balance, December 31, 2012	62,500	$ 63	15,089,023	$ 15,089	250,000	$ 250	$ 18,433,990	$ 29,599	$ (17,059,562)	$ 1,4

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

Rubicon Financial Incorporated
Consolidated Statements of Cash Flows

	For the Years Ended December 31, 2012	2011
Cash flows from operating activities		
Net income (loss)	$ 1,102,052	$ (2,036,740)
Adjustments to reconcile net (loss) to net cash (used) in operating activities:		
Depreciation expense	17,980	27,038
Shares issued for services	40,000	151,250
Realized losses on investments	-	46,869
Loss on uncollectable notes receivable	-	118,500
Accrual and reversal of AMIN lawsuit payable	(1,336,251)	2,030,114
Changes in operating assets and liabilities:		
Accounts receivable	124,311	312,582
Prepaid expenses	13,685	115,804
Accrued interest receivable	-	(3,685)
Deposits and other assets	(50,810)	(133,074)
Accounts payable and accrued liabilities	(330,537)	(204,558)
Deferred revenue	(6,042)	(185,151)
Net cash (used) by operating activities	(425,612)	238,949
Cash flows from investing activities		
Payments received on notes receivable, net	3,706	44,667
Issuance of notes receivable	-	(95,571)
Purchase of fixed assets	(2,979)	(7,500)
Proceeds from (purchase of) investments	(4,629)	47,661
Net cash (used) by investing activities	(3,902)	(10,743)
Cash flows from financing activities		
Proceeds on line of credit	-	200,000
Proceeds from notes payable	726,500	100,000
Payments on notes payable	(81,454)	(156,704)
Net cash provided by financing activities	645,046	143,296
Net (decrease) increase in cash	215,532	371,502
Cash – beginning	1,732,006	1,360,504
Cash – ending	$ 1,947,538	$ 1,732,006
Supplemental disclosures:		
Interest paid	$ 30,810	$ 18,775
Income taxes paid	$ -	$ -
Non-cash financing activities:		
Shares issued for services	$ 40,000	$ 151,250
Notes receivable settled with return of shares	$ -	$ 16,412

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

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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, 2012 and 2011 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, 2012 or 2011. Depreciation expense for the year ended December 31, 2012 and 2011 was $17,980 and $27,038, 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, 2012 and 2011.

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Revenue Recognition

The Company recognizes revenue in accordance with ASC subtopic 605-10, net of expected cancellations and allowances. As of December 31, 2012 and 2011, 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 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.

Advertising Costs

The Company expenses all costs of advertising as incurred. There was $11,794 and $30,876 of advertising costs included in general and administrative expenses for the years ended December 31, 2012 and 2011, 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 4 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 10 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, 2012 and 2011 due to their short-term nature. See Note 16 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 year ended December 31, 2011, the denominator in the diluted EPS computation is the same as the denominator for basic EPS due to the anti-dilutive effect of the convertible preferred stock and stock options on the Company's net loss.

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, 2011, the Company had approximately $769,000 in excess of FDIC insured limits. At December 31, 2012, the Company had approximately $1,066,100 in excess of FDIC insured limits.

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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 – Restricted Cash
The Company's wholly owned subsidiary, NCS, has entered into securities clearing agreements with APEX Clearing Corporation ("APEX") and Wedbush, Morgan Securities, Inc. ("Wedbush"). 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, 2011, the Company maintained deposits with APEX and Wedbush of $250,405 and $61,412, respectively, for total restricted cash of $311,817. 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 3 – Goodwill
During the year ended December 31, 2008, the Company consummated the acquisition of 100% of the outstanding common shares of NCS. As a result of the acquisition, Rubicon identified Goodwill of $2,403,671. This asset was evaluated for impairment as of December 31, 2012 and 2011 and management determined that no impairment was needed.

NOTE 4 - Marketable securities
The Company classifies its marketable equity securities as available-for-sale and carries them at fair market value, with the unrealized gains and losses included in the determination of comprehensive income and reported in stockholders' equity. Losses that the Company believes are other-than-temporary are realized in the period that the determination is made. As of December 31, 2012, 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, 2011:
The Company held thirteen investments in publically-traded common stock in various corporations with an aggregate cost of $26,265 (after adjustment for other-then-temporary losses in 2010 & 2011) and a fair market value, based on published market prices, of $55,864. The accumulated unrealized gain on these securities is $29,599 and is shown as accumulated other comprehensive gain on these financial statements.

Of the above investments, there are eleven investments with an aggregate cost of $855 and an aggregate fair market value of $37,384. Of these investments, one was in a loss positions for a total aggregate unrealized loss of $1,074 and had been in a loss position for more than twelve months.

An investment in the publically-traded common stock of Clean Coal Technologies, Inc. had a cost of $300,000 and a fair market value of $423 as of December 31, 2010. This investment had been in a loss position for over twelve months, therefore, during the year ended December 31, 2010, the Company made the determination that this unrealized loss was other-then-temporary and should be realized. A total of $299,577 was adjusted from unrealized to realized and the amount was moved from the other accumulated comprehensive loss on the balance sheet to the realized loss on investments on the statement of operations. During the year ended December 31, 2011, the remaining $423 was adjusted from unrealized to realized and the amount was moved from the other accumulated comprehensive loss on the balance sheet to the realized loss on investments on the statement of operations. As of December 31, 2011, the entire $300,000 cost had been recognized as a loss and the investment had no cost remaining.

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An investment in the publically-traded common stock of American International Industries, Inc. had a cost of $974,100 and a fair market value of $121,762 as of December 31, 2010. This investment had been in a loss position for over twelve months, therefore, during the year ended December 31, 2010, the Company made the determination that this unrealized loss was other-then-temporary and should be realized. A total of $852,338 was adjusted from unrealized to realized and the amount was moved from the other accumulated comprehensive loss on the balance sheet to the realized loss on investments on the statement of operations. During the nine months ended September 30, 2011, a portion of this investment with a remaining cost of $24,225 was sold for proceeds of 28,116 resulting in a realized gain of $3,891. As of September 30, 2011, the investment had a remaining cost of $97,537 and a fair market value of $51,091. This investment has been in a loss position for over twelve months. During the quarter ended September 30, 2011, the Company made the determination that this unrealized loss was other-then-temporary and should be realized. A total of $46,446, the difference between the cost and market value as of September 30, 2011, was adjusted from unrealized to realized and the amount was moved from the other accumulated comprehensive loss on the balance sheet to the realized loss on investments on the statement of operations. During the quarter ended December 31, 2011, another portion of this investment with a remaining cost of $25,681 was sold for proceeds of 15,423 resulting in a realized loss of $10,258. As of December 31, 2011, the investment had a remaining cost of $25,410 and a fair market value of $18,480 for a total unrealized loss of $6,930.

In total, during the year ended December 31, 2011, $46,869 was adjusted from unrealized to realized and the amount was moved from the other accumulated comprehensive loss on the balance sheet to the realized loss on investments on the statement of operations.

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.

NOTE 5 – Notes receivable

Newman:

On April 18, 2008, Rubicon amended its $20,000 note receivable with its RREM subsidiary, whereby Joel Newman, the former President of RREM accepted full liability for the principal balance of $20,000. The amended terms require interest to accrue at a rate of 6% per annum and matured on April 18, 2009. In addition, Mr. Newman owes $5,000 in the form of a demand note, which accrues interest at a rate of 6% per annum. On March 18, 2008, Rubicon received the initial payment of $898 representing principal in the amount of $798 and interest of $100. The combined outstanding principal balance as of December 31, 2009 was $24,202. Accrued interest earned on this note was $2,858 as of December 31, 2009. During the year ended December 31, 2010, the Company and Mr. Newman reached an agreement consolidating the outstanding principal balance and accrued interest balance into a new note in the amount of $27,739. The note bears interest of 6% and was due on December 31, 2010. As of December 31, 2010 the note balance was $15,239 and the balance of accrued interest was $488. In September of 2011, the note balance was $15,239 and the balance of accrued interest was $1,173 for a total amount receivable of $16,412. In September of 2011, the Company reached a settlement with Mr. Newman for the note to be relieved with Mr. Newman returning 184,000 shares of common stock to the Company for cancellation. As of December 31, 2011and 2012, there is no balance due on this note receivable.

Riviello:

On June 3, 2008, Rubicon was issued a note receivable in the amount of $100,000 from Marc Riviello pursuant to the "Stock Repurchase and Settlement Agreement". The note accrues interest at a rate of 6% per annum and was due June 1, 2009. The loan was not repaid and subsequently the Company took legal action against Mr. Riviello and won an initial settlement claim in excess of $100,000. As of December 31, 2010, the Company, has not been able to collect on the principal balance and the balance remained $100,000. Accrued interest earned on this note was $15,500 as of December 31, 2010 and $18,500 as of September 30, 2011. During the quarter ended September 30, 2011, The Company determined that the settlement agreement's collection was in doubt and took a bad debt write-off of the full $118,500. As of December 31, 2011 and 2012, there is no balance due on this note 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.

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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. $1,250 in payments were received during the year ended December 31, 2012 and the balance due was $66,235 as of December 31, 2012 relating to these notes. The notes did not bear interest.

As of December 31, 2012 and 2011, there is a total of $66,235 and $69,941 receivable, respectively.

NOTE 6 – Accounts Receivable

Amounts receivable from clearing organizations and others at December 31, 2012 consisted of the following:

APEX Clearing Corporation	$269,883
Others	489
Wedbush Morgan Securities	132,336
	$402,708

NOTE 7 – Related Party Transactions

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

As of December 31, 2012 and 2011, the Company owed accrued payroll to one of its officers/directors in the amount of $13,500.

NOTE 8 – Fixed Assets

Fixed assets consisted of the following:

	December 31,			
	2012		2011	
Furniture	$	60,921	$	57,943
Equipment		197,464		197,464
Software		35,979		35,979
		294,364		291,386
Accumulated depreciation		(268,347)		(250,367)
	$	26,017	$	41,019

During the years ended December 31, 2012 and 2011, depreciation expense was $17,980 and $27,038, respectively.

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NOTE 9 – Notes payable and Line of Credit

Notes payable consist of the following at December 31, 2012 and 2011:

	December 31, 2012	2011
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, 2011, and matures in March of 2013.	$8,653	$42,812
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, 2011, and matures in March of 2014.	42,835	75,886
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.	712,256	-
	$763,744	$118,698

As of December 31, 2012, $254,335 of the notes payable is short-term and $509,409 is long-term. As of December 31, 2011 $67,270 of the notes payable is short-term and $51,428 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, 2012. The line matures on March of 2014. As of December 31, 2012 and 2011, Rubicon had borrowed $200,000 on the line. As of December 31, 2012, 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. $0 was amortized into expense for the year ended December 31, 2012.

Interest expense for the year ended December 31, 2012 and 2011 was $30,810 and $18,775 respectively.

NOTE 10 – 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.

The Company’s effective 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, 2012 and 2011.

The Company’s operations for the year ended December 31, 2012 and 2011 resulted in losses, thus no income taxes have been reflected in the accompanying statements of operations.

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As of December 31, 2012 and 2011, the Company has net operating loss carry-forwards which may or may not be used to reduce future 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 income taxes consists of the following:

	As of December 31, 2012	2011
Benefits of deferred tax assets	$ 108,912	$ 161,100
Change in valuation allowance	(108,912)	(161,100)
Provision for 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	$ 11,635,225	$3,955,977
Unrealized losses	300,756	102,257
		4,058,234
Valuation allowance		(4,058,234)
Deferred tax asset		$-

Below is a summary of deferred tax asset calculations as of December 31, 2011 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	$ 10,985,663	$ 3,735,125
Unrealized losses	629,991	214,197
		3,949,322
Valuation allowance		(3,949,322)
Deferred tax asset		$ -

For financial reporting purposes, the Company has incurred a loss since inception to December 31, 2012. 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. 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 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,			
	2012		2011	
Federal and state statutory rate	34	%	34	%
Change in valuation allowance	(34	%)	(34	%)
	-		-	

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NOTE 11 – Stockholders' equity

Common stock

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

Preferred Stock

The Company is authorized to issue 10,000,000 shares of $0.001 par value preferred stock; of which 1,000,000 shares are designated as Series A Convertible Preferred Stock and 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 four shares of common stock for each share of Series A Convertible Preferred stock. In February of 2013, the conversion rate was amended to twenty shares of common stock for each share of Series A 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, 2010, there were 62,500 series A preferred shares issued and outstanding, 14,048,023 common shares issued and outstanding, and 1,000,000 common shares owed but not issued.

2011

In March of 2011, 850,000 shares owed as of December 31, 2010 were issued and 150,000 were canceled.

In February of 2011, 250,000 shares were granted to a new employee as a signing bonus. As of December 31, 2011, the shares had not been issued and are therefore shown as owed but not issued on these financial statements. The shares were valued at market value on the day they were granted and $110,000 was expensed.

In September of 2011, 184,000 shares were surrendered to the Company and canceled in settlement of a note receivable. See note 6 for further details.

In December of 2011, 275,000 shares were granted to employees for services rendered. As of December 31, 2011, the shares had not been issued and are therefore shown as owed but not issued on these financial statements. The shares were valued at market value on the day they were granted and $41,250 was expensed. 225,000 of these shares were issued in January of 2012.

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

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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.

NOTE 12 – Warrants and options

Warrants

As of December 31, 2012 and 2011, there are no outstanding warrants.

Options

On January 1, 2007, the Company granted options to purchase up to 500,000 shares of its common stock pursuant to its employment agreement with the chief executive officer. The holder has the right to purchased up to 500,000 shares of common stock of the Company for an aggregate purchase price of $500,000 or $1 per share. The aggregate fair value of the option grant totaled $1,299,325. Fair value of the option is based on the Black-Scholes pricing model using the following estimated assumptions: 4.70% risk free rate, 295% volatility, and an expected life of the option of 5 years. The options expired on December 31, 2011.

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. The options expire on June 2, 2013.

A summary of stock options and warrants as of December 31, 2012 and 2011 is as follows:

	Options	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding as of 01/01/11:	1,000,000	$1.00	-	$-
Granted	-	-	-	-
Cancelled	-	-	-	-
Expired	(500,000)	1.00	-	-
Outstanding as of 01/01/12:	500,000	$1.00	-	$-
Granted	-	-	-	-
Cancelled	-	-	-	-
Expired	-	-	-	-
Outstanding as of 12/31/12:	500,000	$1.00	-	$-
Vested as of 12/31/12:	500,000	$1.00	-	$-

NOTE 13 – Operating Segments

Rubicon's operating segments are evidence of its internal organization. The major segments are defined by the type of services offered. Where applicable, "Corporate" represents items necessary to reconcile to the consolidated financial statements, which generally include corporate activity at the parent level and eliminations.

Net revenues as shown below represent commissions earned for each segment. Intercompany revenues have been eliminated and are immaterial for separate disclosure.

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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, 2012	2011
Revenue		
Brokerage services	$ 14,572,106	$ 15,311,941
	14,572,106	15,311,941
Expenses		
Brokerage services	14,011,602	14,379,549
Corporate	(541,548)	2,963,132
	13,470,054	17,342,681
Net income (loss)	$ 1,102,052	$ (2,036,740)

NOTE 14 – Commitments and Contingencies

Litigation

Grant Bettingen Lawsuit:

In July of 2009, the Company filed its first amended complaint against Grant Bettingen and Grant Bettingen, as Trustee of the 1999 Bettingen Trust U/D/T October 8, 1999, seeking damages for (i) Breach of Contract, (ii) Fraud, (iii) Declaratory Relief, (iv) Breach of Covenant of Good Faith and Fair Dealing, and (v) Unjust Enrichment. These claims arise from the June 2008 merger between the Company and NCS (then known as Grant Bettingen, Inc.) On or about August 10, 2009, the Company was served with a suit from M. Grant Bettingen, the Bettingen 1999 Trust and Christi Bettingen stemming from the same transaction. The Bettingen cross-complaint was dismissed in July of 2010 and has been appealed. While it is not possible to predict with certainty what liability or damages the Company might incur in connection with this lawsuit, based on the advice of counsel and a management review of the existing facts and circumstances related to this lawsuit, the Company has accrued $487,000 as of December 31, 2012 and 2011 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 believes the $268,000 accrue is adequate to cover the final settlement.

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.

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The Company believes AMIN's claims are totally without merit and intends to vigorously defend itself from this malicious suit. However, the Company can provide no assurance as to the ultimate outcome of this matter and if the default judgment is upheld it will have a material adverse effect upon the Company.

Scott Arbitration:

The Company was party to an arbitration claim from a former employee for wrongful termination and harassment. It was the Company's 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. This amount 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. 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.

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 $472,500 and $421,350 as of December 31, 2012 and 2011, 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. The annual lease payments due pursuant to these agreements are as follows:

Year Ending December 31,	Amount
2013	$ 317,938
2014	324,232

2015	114,398
Total	$ 756,568

Rent expense is included in general and administrative expense and totaled $169,416 and $164,650 for the years ended December 31, 2012 and 2011, respectively.

NOTE 15 – 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, 2011, NCS had net capital of $701,303 and was $601,303 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.

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Note 16 - Fair Value Measurements

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

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

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

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

The Company has no level 3 assets or liabilities.

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

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

The following table presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis as of December 31, 2011:

	Level 1	Level 2	Level 3	Fair Value
Cash	$1,732,006	$-	-	$1,732,006
Accounts receivable	-	527,019	-	527,019
Marketable securities	55,864	-	-	55,864
Notes and interest receivable	-	69,941	-	69,941
Accounts payable	-	725,380	-	725,380
Accrued expenses	-	1,298,820		1,298,820
Accrued legal settlement	-	2,030,114	-	2,030,114
Notes payable	-	318,698	-	318,698

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Note 17 – 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:

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.

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

In February of 2013, the conversion rate of the series A preferred stock was changed from 4 shares of common for each share of preferred to twenty shares of common for each share of preferred in return for the holders waiving all past and future dividends.

In March of 2013, the current CEO/President of NCS, Kathleen McPherson, and chief compliance officer, Stephen Washburn, resigned. Concurrently therewith, NCS appointed a new CEO, Donald Wajnowski, Jr., and CFO, chief compliance officer and FINOP, Richard Onesto.

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

None.

Item 9A. Controls and Procedures.

Our Chief Executive Officer and Principal Financial Officer, Joseph Mangiapane, Jr., evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Report. Based on the evaluation, Mr. Mangiapane concluded that our disclosure controls and procedures are effective in timely altering him to material information relating to us (including our consolidated subsidiaries) required to be included in our periodic SEC filings.

There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as is defined in the Securities Exchange Act of 1934. These internal controls are designed to provide reasonable assurance that the reported financial information is presented fairly, that disclosures are adequate and that the judgments inherent in the preparation of financial statements are reasonable. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and overriding of controls. Consequently, an effective internal control system can only provide reasonable, not absolute, assurance, with respect to reporting financial information.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in Internal Control — Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2012.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

Item 9B. Other Information.

Binder Term Note

On December 7, 2012, we received $726,500 under the terms of a term note dated November 30, 2012 between us and Gordon and Adele Binder, Community Property (the "Term Note"). The Term Note matures on November 27, 2015 and bears interest at a fixed rate of 14%. Proceeds from the Term Note will be used for general working capital.

In addition, in connection with the execution of the Term Note, we entered into a security agreement (the "Security Agreement") whereby we pledged all of our assets, including its 100% ownership in Newport Coast Securities, Inc., as collateral for the Term Note.

We are required to maintain a debt service coverage ratio on a consolidated basis of at least 1 to 1 measured quarterly. We must also maintain a minimum of $100,000 in aggregate cash on hand at the end of each month during the term of the Term Note. The Term Note and Security Agreement contain other customary loan covenants and default provisions that, if triggered, would cause the acceleration of debt incurred under the Term Note and other default penalties in favor of the lender.

The foregoing description of the Term Note and Security Agreement is not complete and is qualified in its entirety by reference to such agreements, which were attached as Exhibits 10.1 and 10.2, respectively, to the Form 8-K filed on December 14, 2012.

Amendment To Series A Convertible Preferred Stock and Authorization of Series B Convertible Preferred Stock

On February 23, 2013, all of the holders of 8% Series A Convertible Preferred Stock consented to and our board of directors authorized (i) the amendment and restatement of the rights and preferences of the 8% Series A Convertible Preferred Stock, and (ii) a new Series B Convertible Preferred Stock.

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Effective March 5, 2013, we filed an Amended and Restated Certificate of Designation for the 8% Series A Convertible Preferred Stock and a Certificate of Designation authorizing the Series B Convertible Preferred Stock. A copy of the Amended and Restated Certificate of Designation for the 8% Series A Convertible Preferred Stock and the Certificate of Designation for the Series B Convertible Preferred Stock were attached to the Form 8-K filed on March 7, 2013 as Exhibits 4.1 and 4.2, respectively.

Amended and Restated Series A Preferred Stock

The rights, preferences, restrictions and other matters relating to the Series A Preferred Stock are as follows:

The number of shares constituting the Series A Convertible Preferred Stock shall be 1,000,000. Such number of shares may be increased or decreased by resolution of the Board; provided, that no decrease shall reduce the number of shares of Series A Convertible Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Company convertible into Series A Convertible Preferred Stock.

Section 1. DESIGNATION. The Shares are designated as the Company’s Series A Convertible Preferred Stock (the “Shares”).

Section 2. DIVIDEND PROVISIONS. The holders of the Shares will not be entitled to dividends.

Section 3. REDEMPTION.

(a) This Company may at any time following the first anniversary from the date of issuance (the “Redemption Date”), at the option of the Board, redeem in whole or in part the Shares by paying in cash in exchange for the Shares to be redeemed a sum equal to the Original Series A Issue Price ($2.00) (as adjusted for any stock dividends, combinations or splits with respect to such Shares) plus all declared or accumulated but unpaid dividends on such Shares (the “Redemption Price”). Any redemption affected pursuant to this provision shall be made on a pro rata basis among the holders of the Shares in proportion to the number of Shares then held by them.

(b) Subject to the rights of series of preferred stock which may from time to time come into existence, at least ten (10) but no more than sixty (60) days prior to each Redemption Date, written notice shall be mailed, first class postage prepaid, to each holder of record (at the close of business on the business day next preceding the day on which notice is given) of the Shares to be redeemed, at the address last shown on the records of this Company for such holder, notifying such holder of the redemption to be effected, specifying the number of shares to be redeemed from such holder, the Redemption Date, the Redemption Price, the place at which payment may be obtained and calling upon such holder to surrender to this Company, in the manner and at the place designated, his, her or its certificate or certificates representing the Shares to be redeemed (the “Redemption Notice”). Except as provided in subsection (4)(c) on or after the Redemption Date, each holder of Shares to be redeemed shall surrender to this Company the certificate or certificates representing such shares, in the manner and at the place designated in the Redemption Notice, and thereupon the Redemption Price of such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall be cancelled. In the event less than all the Shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed Shares.

(c) From and after the Redemption Date, unless there shall have been a default in payment of the Redemption Price, all rights of the holders of shares of Shares designated for redemption in the Redemption Notice as holders of Shares (except the right to receive the Redemption Price without interest upon surrender of their certificate or certificates) shall cease with respect to such Shares, and such Shares shall not thereafter be transferred on the books of this Company or be deemed to be outstanding for any purpose whatsoever. Subject to the rights of series of preferred stock which may from time to time come into existence, if the funds of the Company legally available for redemption of Shares on any Redemption Date are insufficient to redeem the total number of Shares to be redeemed on such date, those funds which are legally available will be used to redeem the maximum possible number of such Shares ratably among the holders of such Shares to be redeemed based upon their holdings of Shares. The Shares not redeemed shall remain outstanding and entitled to all the rights and preferences provided herein. Subject to the rights of series of preferred stock which may from time to time come into existence, at any time thereafter when additional funds of the Company are legally available for the redemption of shares of Shares, such funds will immediately be used to redeem the balance of the Shares which the Company has become obliged to redeem on any Redemption Date but which it has not redeemed.

Section 4. CONVERSION. The holders of the Shares shall have conversion rights as follows (the “Conversion Rights”):

(a) Right to Convert. Each Share shall be convertible into shares of the Company’s Common Stock at a price per share of $0.10 (the “Conversion Price”) (i.e. every 1 Share converts to 20 shares of Common Stock), at the option of the holder thereof, at any time following the date of issuance of such Share and on or prior to the fifth (5th) day prior to the Redemption Date, if any, as may have been fixed in any Redemption Notice with respect to the Shares, at the office of this Company or any transfer agent for such stock.

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(b) Mechanics of Conversion. Before any holder of Shares shall be entitled to convert the same into shares of Common Stock, he shall surrender the certificate or certificates therefor, duly endorsed, at the office of this Company or of any transfer agent for the Shares, and shall give written notice to this Company at its principal corporate office, of the election to convert the same and shall state therein the name or names in which the certificate or certificates for shares of Common Stock are to be issued. This Company shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Shares, or to the nominee or nominees of such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Shares to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock as of such date.

(c) No Impairment. This Company will not, by amendment of its Certificate of incorporation or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by this Company, but will at all times in good faith assist in the carrying out of all the provisions of this section and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of the Shares against impairment.

(d) Reservation of Stock Issuable Upon Conversion. This Company shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Shares, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Shares; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Shares, in addition to such other remedies as shall be available to the holder of such Shares, this Company will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite shareholder approval of any necessary amendment to the Company’s Certificate of incorporation.

(e) Notice. Any notice required by the provisions of this section to be given to the holders of Shares shall be deemed given if deposited in the United States mail, postage prepaid, and addressed to each holder of record at his address appearing on the books of this Company.

Section 5. LIQUIDATION PREFERENCE.

(a) In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, subject to the rights of series of preferred stock that may from time to time come into existence, the holders of Shares shall be entitled to receive, prior and in preference to any distribution of any of the assets of this Company to the holders of Common Stock by reason of their ownership thereof, an amount per share equal to the sum of (i) $2.00 for each outstanding Share (the “Original Series A Issue Price”) and (ii) an amount equal to 12% of the Original Series A Issue Price for each 12 months that has passed since the date of issuance of any Shares plus any accrued or declared but unpaid dividends on such Share (such amount (of declared but unpaid dividends) being referred to herein as the “Premium”). If upon the occurrence of such event, the assets and funds thus distributed among the holders of the Shares shall be insufficient to permit the payment to such holders of the full aforesaid preferential amounts, then, subject to the rights of series of preferred stock that may from time to time come into existence, the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Shares in proportion to the preferential amount each such holder is otherwise entitled to receive.

(b) Upon the completion of the distribution required by subparagraph (a) above and any other distribution that may be required with respect to series of preferred stock that may from time to time come into existence, the remaining assets of the Company available for distribution to stockholders shall be distributed among the holders of Shares and Common Stock pro rata based on the number of shares of Common Stock held by each (assuming conversion of all such Shares).

(i) For purposes of this provision, a liquidation, dissolution or winding up of this Company shall be deemed to be occasioned by, or to include, (A) the acquisition of the Company by another entity by means of any transaction or series of related transactions (including, without limitation, any reorganization, merger or consolidation but, excluding any merger effected exclusively for the purpose of changing the domicile of the Company); or (B) a sale of all or substantially all of the assets of the Company; unless the Company's shareholders of record as constituted immediately prior to such acquisition or sale will, immediately after such acquisition or sale (by virtue of securities issued as consideration for the Company's acquisition or sale or otherwise) hold at least 50% of the voting power of the surviving or acquiring entity.

(ii) In any of such events, if the consideration received by the Company is other than cash, its value will be deemed its fair market value. Any securities shall be valued as follows:

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(A) Securities not subject to investment letter or other similar restrictions on free marketability (covered by (B) below):

(1) If traded on a securities exchange (NASDAQ, AMEX, NYSE, etc.), the value shall be deemed to be the average of the closing prices of the securities on such exchange over the thirty-day period ending three (3) days prior to the closing;

(2) If traded on a quotation system, such as the Over-the-Counter Bulletin Board or Pink Sheets, the value shall be deemed to be the average of the closing bid or sale prices (whichever is applicable) over the thirty-day period ending three (3) days prior to the closing; and

(3) If there is no active public market, the value shall be the fair market value thereof, as mutually determined by the Company and the holders of at least a majority of the voting power of all then outstanding shares of Preferred Stock.

(B) The method of valuation of securities subject to investment letter or other restrictions on free marketability (other than restrictions arising solely by virtue of a shareholder's status as an affiliate or former affiliate) shall be to make an appropriate discount from the market value determined as above in (A) (1), (2) or (3) to reflect the approximate fair market value thereof, as mutually determined by the Company and the holders of at least a majority of the voting power of all then outstanding shares of such Preferred Stock.

(iii) In the event the requirements of this provision are not complied with, this Company shall forthwith either:

(A) cause such closing to be postponed until such time as the requirements of this provision have been complied with; or

(B) cancel such transaction, in which event the rights, preferences and privileges of the holders of the Shares shall revert to and be the same as such rights, preferences and privileges existing immediately prior to the date of the first notice referred to in subsection 3(c)(iv) hereof.

(iv) The Company shall give each holder of record of Shares written notice of such impending transaction not later than ten (10) days prior to the shareholders' meeting called to approve such transaction, or ten (10) days prior to the closing of such transaction, whichever is earlier, and shall also notify such holders in writing of the final approval of such transaction. The first of such notices shall describe the material terms and conditions of the impending transaction and the provisions of this Section 3, and the Company shall thereafter give such holders prompt notice of any material changes. The transaction shall in no event take place sooner than twenty (20) days after the Company has given the first notice provided for herein or sooner than ten (10) days after the Company has given notice of any material changes provided for herein; provided, however, that such periods may be shortened upon the written consent of the holders of Shares that are entitled to such notice rights or similar notice rights and that represent at least a majority of the voting power of all then outstanding shares of such Shares.

Section 6. VOTING RIGHTS. The holder of each Share shall not have any voting rights, except in the case of voting on a change in the preferences of Shares.

Section 7. PROTECTIVE PROVISIONS. So long as any Shares are outstanding, this Company shall not without first obtaining the approval (by vote or written consent, as provided by law) of the holders of Shares which is entitled, other than solely by law, to vote with respect to the matter, and which Shares represents at least a majority of the voting power of the then outstanding Shares:

(a) sell, convey, or otherwise dispose of or encumber all or substantially all of its property or business or merge into or consolidate with any other corporation (other than a wholly-owned subsidiary corporation) or effect any transaction or series of related transactions in which more than fifty percent (50%) of the voting power of the Company is disposed of;

(b) alter or change the rights, preferences or privileges of the Shares so as to affect adversely the Shares;

(c) increase or decrease (other than by redemption or conversion) the total number of authorized shares of preferred stock;

(d) authorize or issue, or obligate itself to issue, any other equity security, including any other security convertible into or exercisable for any equity security (i) having a preference over, or being on a parity with, the Shares with respect to dividends or upon liquidation, or (ii) having rights similar to any of the rights of the Preferred Stock; or

(e) amend the Company’s Articles of Incorporation or bylaws.

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Series B Convertible Preferred Stock

The rights, preferences, restrictions and other matters relating to the Series A Preferred Stock are as follows:

The number of shares constituting the Series B Convertible Preferred Stock shall be 1,000,000. Such number of shares may be increased or decreased by resolution of the Board; provided, that no decrease shall reduce the number of shares of Series B Convertible Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Company convertible into Series B Convertible Preferred Stock.

Section 1. DESIGNATION. The Shares are designated as the Company's Series B Convertible Preferred Stock (the "Shares").

Section 2. DIVIDEND PROVISIONS. The holders of the Shares will not be entitled to dividends.

Section 3. REDEMPTION.

(a) 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 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 Preferred Stock; (ii) the Company will not be required to redeem any shares of 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 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 Preferred Stock for financings in excess of $1,000,001 in the aggregate. The Company may choose to redeem the shares of 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 adjusted for any stock dividends, combinations or splits with respect to such shares) plus all declared or accumulated but unpaid dividends on such shares (the "Redemption Price"). Any redemption effected pursuant to this subsection (3)(a) shall be made on a pro rata basis among the holders of the Preferred Stock in proportion to the number of shares of Preferred Stock then held by them. Notwithstanding anything set forth above, the Board may redeem any outstanding Shares of Preferred Stock from time to time in its sole discretion in accordance with this Section 3.

(b) Subject to the rights of series of preferred stock which may from time to time come into existence, at least two (2) but no more than thirty (30) days prior to each Redemption Date, written notice shall be mailed, first class postage prepaid, to each holder of record (at the close of business on the business day next preceding the day on which notice is given) of the Preferred Stock to be redeemed, at the address last shown on the records of this corporation for such holder, notifying such holder of the redemption to be effected, specifying the number of shares to be redeemed from such holder, the Redemption Date, the Redemption Price, the place at which payment may be obtained and calling upon such holder to surrender to this corporation, in the manner and at the place designated, his, her or its certificate or certificates representing the shares to be redeemed (the "Redemption Notice"). Except as provided in subsection (3)(c) on or after the Redemption Date, each holder of Preferred Stock to be redeemed shall surrender to the Company the certificate or certificates representing such shares, in the manner and at the place designated in the Redemption Notice, and thereupon the Redemption Price of such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall be cancelled. In the event less than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares.

(c) From and after the Redemption Date, unless there shall have been a default in payment of the Redemption Price, all rights of the holders of Shares of Preferred Stock designated for redemption in the Redemption Notice as holders of Preferred Stock (except the right to receive the Redemption Price without interest upon surrender of their certificate or certificates) shall cease with respect to such shares, and such shares shall not thereafter be transferred on the books of this corporation or be deemed to be outstanding for any purpose whatsoever. Subject to the rights of series of preferred stock which may from time to time come into existence, if the funds of the corporation legally available for redemption of shares of Preferred Stock on any Redemption Date are insufficient to redeem the total number of shares of Preferred Stock to be redeemed on such date, those funds which are legally available will be used to redeem the maximum possible number of such shares ratably among the holders of such shares to be redeemed based upon their holdings of Preferred Stock. The shares of Preferred Stock not redeemed shall remain outstanding and entitled to all the rights and preferences provided herein. Subject to the rights of series of preferred stock which may from time to time come into existence, at any time thereafter when additional funds of the corporation are legally available for the redemption of shares of Preferred Stock, such funds will immediately be used to redeem the balance of the shares which the corporation has become obliged to redeem on any Redemption Date but which it has not redeemed.

Section 4. CONVERSION. Following the expiration of twelve months from the date of issuance, the holders of the Shares shall have conversion rights as follows (the “Conversion Rights”):

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(a) Right to Convert. Each Share shall be convertible into shares of the Company's Common Stock at a price per share of $0.20 (the "Conversion Price") (i.e. every 1 Share converts to 5 shares of Common Stock), at the option of the holder thereof, at any time following the date of issuance of such Share and on or prior to the fifth (5th) day prior to the Redemption Date, if any, as may have been fixed in any Redemption Notice with respect to the Shares, at the office of this Company or any transfer agent for such stock.

(b) Mechanics of Conversion. Before any holder of Shares shall be entitled to convert the same into shares of Common Stock, he shall surrender the certificate or certificates therefor, duly endorsed, at the office of this Company or of any transfer agent for the Shares, and shall give written notice to this Company at its principal corporate office, of the election to convert the same and shall state therein the name or names in which the certificate or certificates for shares of Common Stock are to be issued. This Company shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Shares, or to the nominee or nominees of such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Shares to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock as of such date.

(c) No Impairment. This Company will not, by amendment of its Certificate of incorporation or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by this Company, but will at all times in good faith assist in the carrying out of all the provisions of this section and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of the Shares against impairment.

(d) Reservation of Stock Issuable Upon Conversion. This Company shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Shares, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Shares; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Shares, in addition to such other remedies as shall be available to the holder of such Shares, this Company will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite shareholder approval of any necessary amendment to the Company's Certificate of incorporation.

(e) Notice. Any notice required by the provisions of this section to be given to the holders of Shares shall be deemed given if deposited in the United States mail, postage prepaid, and addressed to each holder of record at his address appearing on the books of this Company.

Section 5. LIQUIDATION PREFERENCE.

(a) In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, subject to the rights of series of preferred stock that may from time to time come into existence, the holders of Shares shall be entitled to receive, prior and in preference to any distribution of any of the assets of this Company to the holders of Common Stock by reason of their ownership thereof, an amount per share equal to the sum of (i) $1.00 for each outstanding Share and (ii) an amount equal to 12% of such amount for each 12 months that has passed since the date of issuance of any Shares plus any accrued or declared but unpaid dividends on such Share (such amount (of declared but unpaid dividends) being referred to herein as the "Premium"). If upon the occurrence of such event, the assets and funds thus distributed among the holders of the Shares shall be insufficient to permit the payment to such holders of the full aforesaid preferential amounts, then, subject to the rights of series of preferred stock that may from time to time come into existence, the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Shares in proportion to the preferential amount each such holder is otherwise entitled to receive.

(b) Upon the completion of the distribution required by subparagraph (a) above and any other distribution that may be required with respect to series of preferred stock that may from time to time come into existence, the remaining assets of the Company available for distribution to stockholders shall be distributed among the holders of Shares and Common Stock pro rata based on the number of shares of Common Stock held by each (assuming conversion of all such Shares).

(i) For purposes of this provision, a liquidation, dissolution or winding up of this Company shall be deemed to be occasioned by, or to include, (A) the acquisition of the Company by another entity by means of any transaction or series of related transactions (including, without limitation, any reorganization, merger or consolidation but, excluding any merger effected exclusively for the purpose of changing the domicile of the Company); or (B) a sale of all or substantially all of the assets of the Company; unless the Company’s shareholders of record as constituted immediately prior to such acquisition or sale will, immediately after such acquisition or sale (by virtue of securities issued as consideration for the Company’s acquisition or sale or otherwise) hold at least 50% of the voting power of the surviving or acquiring entity.

(ii) In any of such events, if the consideration received by the Company is other than cash, its value will be deemed its fair market value. Any securities shall be valued as follows:

(A) Securities not subject to investment letter or other similar restrictions on free marketability (covered by (B) below):

(1) If traded on a securities exchange (NASDAQ, AMEX, NYSE, etc.), the value shall be deemed to be the average of the closing prices of the securities on such exchange over the thirty-day period ending three (3) days prior to the closing;

(2) If traded on a quotation system, such as the Over-the-Counter Bulletin Board or Pink Sheets, the value shall be deemed to be the average of the closing bid or sale prices (whichever is applicable) over the thirty-day period ending three (3) days prior to the closing; and

(3) If there is no active public market, the value shall be the fair market value thereof, as mutually determined by the Company and the holders of at least a majority of the voting power of all then outstanding shares of Preferred Stock.

(B) The method of valuation of securities subject to investment letter or other restrictions on free marketability (other than restrictions arising solely by virtue of a shareholder’s status as an affiliate or former affiliate) shall be to make an appropriate discount from the market value determined as above in (A) (1), (2) or (3) to reflect the approximate fair market value thereof, as mutually determined by the Company and the holders of at least a majority of the voting power of all then outstanding shares of such Preferred Stock.

(iii) In the event the requirements of this provision are not complied with, this Company shall forthwith either:

(A) cause such closing to be postponed until such time as the requirements of this provision have been complied with; or

(B) cancel such transaction, in which event the rights, preferences and privileges of the holders of the Shares shall revert to and be the same as such rights, preferences and privileges existing immediately prior to the date of the first notice referred to in subsection 3(c)(iv) hereof.

(iv) The Company shall give each holder of record of Shares written notice of such impending transaction not later than ten (10) days prior to the shareholders’ meeting called to approve such transaction, or ten (10) days prior to the closing of such transaction, whichever is earlier, and shall also notify such holders in writing of the final approval of such transaction. The first of such notices shall describe the material terms and conditions of the impending transaction and the provisions of this Section 3, and the Company shall thereafter give such holders prompt notice of any material changes. The transaction shall in no event take place sooner than twenty (20) days after the Company has given the first notice provided for herein or sooner than ten (10) days after the Company has given notice of any material changes provided for herein; provided, however, that such periods may be shortened upon the written consent of the holders of Shares that are entitled to such notice rights or similar notice rights and that represent at least a majority of the voting power of all then outstanding shares of such Shares.

Section 6. VOTING RIGHTS. Holders of the Shares shall be entitled to cast ten (10) votes for each Share held on all matters presented to the stockholders of the Corporation for stockholder vote which shall vote along with holders of the Corporation’s Common Stock on such matters.

Section 7. PROTECTIVE PROVISIONS. So long as any Shares are outstanding, this Company shall not without first obtaining the approval (by vote or written consent, as provided by law) of the holders of Shares which is entitled, other than solely by law, to vote with respect to the matter, and which Shares represents at least a majority of the voting power of the then outstanding Shares:

(a) sell, convey, or otherwise dispose of or encumber all or substantially all of its property or business or merge into or consolidate with any other corporation (other than a wholly-owned subsidiary corporation) or effect any transaction or series of related transactions in which more than fifty percent (50%) of the voting power of the Company is disposed of;

(b) alter or change the rights, preferences or privileges of the Shares so as to affect adversely the Shares;

(c) increase or decrease (other than by redemption or conversion) the total number of authorized shares of preferred stock;

(d) authorize or issue, or obligate itself to issue, any other equity security, including any other security convertible into or exercisable for any equity security (i) having a preference over, or being on a parity with, the Shares with respect to dividends or upon liquidation, or (ii) having rights similar to any of the rights of the Preferred Stock;

(e) issue any cash dividend to the holders of its Common Stock, without the full prior redemption of all outstanding Shares of Preferred stock; or

(f) amend the Company's Articles of Incorporation or bylaws.

Arbitration Award

On February 22, 2013, a FINRA arbitration panel issued an order awarding Deborah Ann Scott $300,000 in compensatory damages and $125,863.06 in attorneys' fees, including interest at a rate of 10% per annum from the date of the award until the award is paid in full, jointly and severally against our wholly owned operating subsidiary, Newport Coast Securities, Inc., each of our board members and the chief compliance officer of Newport Coast Securities. The award was paid on or about February 26, 2013.

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

Change in NCS Management

In March of 2013, the current CEO/President of NCS, Kathleen McPherson, and chief compliance officer, Stephen Washburn, resigned. Concurrently therewith, NCS appointed a new CEO, Donald Wajnowski, Jr., and CFO, chief compliance officer and FINOP, Richard Onesto.

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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.	47	Chief Executive Officer, President, Principal Financial Officer and Chairman
Kathleen McPherson	55	Director and Chief Executive 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 has been a consultant for us since September 11, 2007 and NCS, 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 33 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.

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.

Election of Directors and Officers

Directors are elected to serve until the next annual meeting of shareholders 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 shareholders and until their successors have been elected and qualified.

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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 currently on stay at the SEC's request.

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 2012.

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.

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Item 11. Executive Compensation.

The following table sets forth summary compensation information for the years ended December 31, 2012 and 2011 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 Compen-sation ($)	Total ($)
Joseph Mangiapane, Jr.	2012	$ 276,850	$ --	$ --	$ --	$ --	$ 276,850
Chief Executive Officer/President	2011	$ 238,300	$ --	$ --	$ --	$ --	$ 238,300
Principal Financial Officer							

Grants of Plan-Based Awards in Fiscal 2010

We did not grant any plan-based awards to our named executive officers during the fiscal year ended December 31, 2012.

Outstanding Equity Awards at 2012 Fiscal Year-End

There were no outstanding equity awards to our named executive officers at December 31, 2012.

Option Exercises for 2012

There were no options exercised by our named executive officers in fiscal 2012.

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.
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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.

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- 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 shareholders, 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.

Director Compensation

The following table sets forth compensation paid to Rubicon's board members during the year ended December 31, 2012.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Kathleen McPherson	-	-	-	-	$ 412,295.77(1)	$ 412,295.77
Joseph Mangiapane, Jr. (2)	-	-	-	-	-	-

(1) Amount represents salary, bonus and commissions paid to Ms. McPherson from NCS during fiscal 2012.

(2) Mr. Mangiapane is our sole officer, 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 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.

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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 March 27, 2012 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 15,089,023 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 shareholder has sole or shared voting or investment power. It also includes shares of common stock that the shareholder has a right to acquire within 60 days after March 27, 2012 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)	2,284,222(4)	15.1%
Kathleen McPherson, Director(3)	1,502,500(5)	9.6%
Directors and Officers as a Group	3,786,711	24.7%
The Bettingen 1999 Trust U/D/T October 8, 1999 4100 Newport Place, STE# 630 Newport Beach, CA 92660	1,200,000	8.0%
Timothy McDermott 4100 Newport Place, Suite 630 Newport Beach, CA 92660	900,100	6.0%
Total Beneficial Owners as a group	2,100,100	14.0%

(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 that are convertible into 500,000 shares of common stock. Does not include 426,000 shares of Series B Convertible Preferred Stock that are convertible into 2,130,000 shares of common stock at any time after February 23, 2014.

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Equity Compensation Plan Information

The following table sets forth information as of December 31, 2012 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	500,000(1)	$ 1.00	5,131,250
Equity compensation plans not approved by stockholders	--	--	--
Total	500,000	$ 1.00	5,131,250(2)

(1) The 500,000 options granted under our 2007 stock option plan expire in July of 2013.
(2) As of December 31, 2012, 2,000,000 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 2012 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 ($51,288); 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.

Kathleen McPherson

Kathleen McPherson, one of our current directors and the chief executive officer of NCS, received $412,295.77 in cash compensation for services performed for NCS during 2012. Our board of directors reviewed Ms. McPherson's relationships with us and consented to the potential conflicts of interests involving Ms. McPherson.

Director Independence

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

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Item 14. Principal Accountant Fees and Services.

Weaver Martin & Samyn, LLC served as our principal independent public accountants for fiscal 2012 and 2011 years. Aggregate fees billed to us for the fiscal years ended December 31, 2012 and 2011 by Weaver Martin & Samyn, LLC were as follows:

	For the Fiscal Years Ended December 31, 2012	2011
(1) Audit Fees(1)	$ 67,450	$ 75,750
(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	$ 67,450	$ 75,750

(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 Weaver Martin & Samyn for the proposed services. In fiscal 2008, all fees paid to Weaver Martin & Samyn 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.

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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

(b) 2. Financial Statement Schedules

None.

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(c) 3. Exhibit Index

			Incorporated by reference			
Exhibit	Exhibit Description	Filed herewith	Form	Period ending	Exhibit	Filing date
2.1	Agreement and Plan of Merger and Reincorporation, dated August 22, 2011		8-K		2(c)	9/21/11
2.1(b)	Articles of Merger of Rubicon Financial Incorporated, a Nevada corporation and Rubicon Financial Incorporated, a Delaware corporation – Dated August 29, 2011		8-K		3(i)(i)	9/21/11
2.1(c)	Certificate of Merger of Rubicon Financial Incorporated, Nevada corporation and Rubicon Financial Incorporated, Delaware corporation		8-K		3(i)(j)	9/21/11
2.2	Merger Agreement among Rubicon Financial Incorporated, RFI Sub, Inc. and Grant Bettingen, Inc.		8-K		2.7	07/05/07
2.2(b)	Amendment No. 1 to the Merger Agreement among Rubicon Financial Incorporated, RFI Sub, Inc. and Grant Bettingen, Inc.		8-K		2.7(b)	09/14/07
2.2(c)	Amendment No.2 to the Merger Agreement among Rubicon Financial Incorporated, RFI Sub, Inc. and Grant Bettingen, Inc., dated January 23, 2007		8-K		2.7(c)	01/24/08
2.2(d)	Amendment No. 3 to the Merger Agreement among Rubicon Financial Incorporated, RFI Sub, Inc. and Grant Bettingen, Inc., dated March 18, 2008		8-K		2.7(d)	03/21/08
2.3	Separation and Distribution Agreement by and between Rubicon Financial Incorporated and Dial-A-Cup, Inc.		8-K		2.8	08/06/07
3.1(i)	Articles of Incorporation, as currently in effect		8-K		3(i)(h)	9/21/11
3.1(ii)	Bylaws, as currently in effect		8-K		3(ii)(c)	9/21/11
4.1	Amended and Restated Certificate of Designation of 8% Series A Convertible Preferred Stock		10-Q	09/30/08	4.1	11/19/08
4.2	Amended and Restated Certificate of Designation of Series A Convertible Preferred Stock		8-K		4.1	03/07/13
4.3	Certificate of Designation for Series B Convertible Preferred Stock		8-K		4.2	03/07/13
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
21.1	List of Subsidiaries	X				

23.1	Consent of Weaver Martin & Samyn, LLC	X
31.1	Certification of Joseph Mangiapane, Jr., Chief Executive Officer and Principal Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act	X
32.1	Certification of Joseph Mangiapane, Jr., Chief Executive Officer and Principal Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act	X
101.INS	XBRL Instance Document	X
101.SCH	XBRL Taxonomy Extension Schema	X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	X
101.DEF	XBRL Taxonomy Extension Definition Linkbase	X
101.LAB	XBRL Taxonomy Extension Label Linkbase	X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	X

† Indicates management contract or compensatory plan or arrangement.

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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: March 29, 2013	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)	March 29, 2013
/s/ Kathleen McPherson Kathleen McPherson	Director	March 29, 2013

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