

RUBICON FINANCIAL INC  
Form 10-Q  
May 15, 2013

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

\_\_\_\_\_  
FORM 10-Q  
\_\_\_\_\_

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

For the quarterly period ended March 31, 2013

or

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

Commission File Number 000-29315

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

Nevada  
(State or other jurisdiction of incorporation or  
organization)

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

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

92612  
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

The number of shares of Common Stock, \$0.001 par value, outstanding on May 10, 2013, was 17,005,691, which includes 1,916,668 shares authorized but unissued.

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

Rubicon Financial Incorporated  
Condensed Consolidated Balance Sheets

	March 31, 2013	December 31, 2012 Audited
Assets		
Current assets:		
Cash	\$ 1,901,319	\$ 1,785,736
Cash – restricted	96,229	161,802
Marketable securities	75,890	60,493
Accounts receivable	475,519	402,708
Prepaid expenses	23,340	28,705
Notes receivable	70,318	66,235
Other current assets	113,559	113,559
Total current assets	2,756,174	2,619,238
Fixed assets, net of accumulated depreciation of \$272,278 and \$268,347, respectively	47,590	26,017
Other assets:		
Contract advances	94,858	104,164
Capitalized financing costs	21,000	21,000
Deposits	30,438	11,916
Intangible assets – customer list	2,403,671	2,403,671
Total other assets	2,549,967	2,540,751
Total assets	\$ 5,353,731	\$ 5,186,006
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 716,933	\$ 840,681
Accrued expenses	1,052,814	557,139
Investment obligation	487,000	487,000
Line of credit	200,000	200,000
Note payable, current portion	253,550	254,335
Accrued legal settlement	-	445,513
Contingent liabilities	507,500	472,500
Total current liabilities	3,217,797	3,257,168
Long term liabilities:		
Note payable	443,153	509,409
Redeemable Preferred Stock, Series B, \$0.001 par value, 1,000,000 shares authorized, 426,000 issued and outstanding as of March 31, 2013		
	426,000	-
Stockholders' equity		
Preferred series "A", \$0.001 par value, 1,000,000 shares authorized, 62,500 shares issued and outstanding as of March 31, 2013 and December 31, 2012, respectively	63	63

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Common stock, \$0.001 par value, 100,000,000 shares authorized, 15,089,023 shares issued and outstanding as of March 31, 2013 and December 31, 2012, respectively	15,089	15,089
Common stock owed but not issued, 250,000 shares as of March 31, 2013 and December 31, 2012, respectively	250	250
Additional paid in capital	18,433,990	18,433,990
Other comprehensive losses	29,599	29,599
Accumulated (deficit)	(17,212,210)	(17,059,562)
Total stockholders' equity	1,266,781	1,419,429
Total liabilities and stockholders' equity	\$ 5,353,731	\$ 5,186,006

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

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Rubicon Financial Incorporated  
Condensed Consolidated Statements of Operations  
(Unaudited)

	For the Three Months Ended March 31,	
	2013	2012
Revenue	\$ 3,970,707	\$ 4,214,600
Expenses:		
Direct costs	3,219,104	3,164,488
Consulting	10,520	24,429
Professional fees	198,155	375,381
Executive compensation	162,992	165,250
General and administrative expenses	505,670	415,375
Depreciation	3,931	4,738
Total operating expenses	4,100,372	4,149,661
Net operating income (loss)	(129,665)	64,939
Other income (expense):		
Interest expense	(29,284)	(3,844)
Interest income	2,101	3,190
Other income	4,200	19,665
Total other income (expense)	(22,983)	19,011
Net income (loss)	(152,648)	83,950
Other comprehensive income (loss)	-	1,356
Total comprehensive income (loss)	\$ (152,648)	\$ 85,306
Weighted average number of common shares		
Outstanding – basic	15,089,023	14,911,825
Net income (loss) per share – basic	\$ (0.01)	\$ 0.01
Weighted average number of common shares		
Outstanding – diluted	N/A	15,161,825
Net income (loss) per share – diluted	N/A	0.01

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

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Rubicon Financial Incorporated  
Condensed Consolidated Statements of Cash Flows  
(Unaudited)

	For the Three Months Ended March 31,	
	2013	2012
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ (152,648)	\$ 83,950
Adjustments to reconcile net (loss) to net cash (used) in operating activities:		
Depreciation expense	3,931	4,738
Stock issued for compensation	-	-
<b>Changes in operating assets and liabilities</b>		
Accounts receivable	(72,811)	(189,380)
Prepaid expenses	5,365	17,614
Deposits and other assets	(18,522)	(4,580)
Accounts payable and accrued liabilities	(38,586)	21,035
Deferred revenue	-	(1,510)
Contract advances	9,306	21,250
Note receivable	(4,083)	32,803
Net cash (used) by operating activities	(268,048)	(14,080)
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(25,504)	-
Purchase/proceeds of investments, net	(15,397)	2,979
Net cash (used) by investing activities	(40,901)	2,979
<b>Cash flows from financing activities</b>		
Payments on note payable	(67,041)	(16,600)
Proceeds from preferred stock issue	426,000	-
Net cash provided by financing activities	358,959	(16,600)
Net (decrease) increase in cash	50,010	(27,701)
Cash – beginning	1,947,538	1,732,006
Cash – ending	\$ 1,997,548	\$ 1,704,305
<b>Supplemental disclosure</b>		
Interest paid	\$ 29,284	\$ 3,844
Income taxes paid	\$ -	\$ -

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

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Rubicon Financial Incorporated  
Notes to Condensed Consolidated Financial Statements

NOTE 1 – Significant Accounting Policies and Procedures

Organization

The Company was incorporated in the State of Delaware on April 28, 1986 (“Inception”) and was formerly known as Art World Industries (“AWI”). On August 6, 2002, the Company changed its name to ISSG, Inc. On September 6, 2006; the Company changed its name to Rubicon Financial Incorporated. On June 2, 2008, the Company completed its acquisition of Newport Coast Securities, Inc. (“NCS”), a California corporation registered with the Financial Industry Regulatory Authority.

Principles of Consolidation

The financial statements as of December 31, 2012 and for the three months ended March 31, 2013 and 2012 include those of: 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 are collectively referred to herein as the “Company”.

Use of Estimates

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

Cash Equivalents

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

Fixed Assets

Property and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The Company uses other depreciation methods (generally accelerated) for tax purposes where appropriate. The estimated useful lives for significant property and equipment categories are as follows: Equipment – 5 years and 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 March 31, 2013. Depreciation expense for the three months ended March 31, 2013 and 2012 was \$3,931 and \$4,738, respectively.



#### Impairment of long-lived assets

The Company reviews its long-lived assets and intangibles periodically to determine potential impairment by comparing the carrying value of the long-lived assets with the estimated future cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future cash flows be less than the carrying value, the Company would recognize an impairment loss. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value of the long-lived assets and intangibles. The Company recognized no impairment losses during the three months ended March 31, 2013 and 2012.

#### Revenue Recognition

The Company recognizes revenue in accordance with ASC subtopic 605-10, net of expected cancellations and allowances. As of March 31, 2013 and December 31, 2012, the Company evaluated evidence of cancellation in order to make a reliable estimate and determined there were no material cancellations during the periods and therefore no allowances has been made.

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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.

### Available-for-sale securities

The Company classifies its marketable equity securities as available-for-sale and they are carried at fair market value, with the unrealized gains and losses included in the determination of comprehensive income and reported in stockholders' equity.

### Income Taxes

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

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

### Fair Value of Financial Instruments

The Company has financial instruments whereby the fair value of the financial instruments could be different from that recorded on a historical basis in the accompanying balance sheets. The Company's financial instruments consist of cash, receivables, accounts payable, accrued liabilities, and notes payable. The carrying amounts of the Company's financial instruments approximate their fair values as of March 31, 2013 and December 31, 2012 due to their short-term nature. See Note 12 for further details.

### Earnings (Loss) per Common Share

Net earnings (loss) per share is computed in accordance with ASC subtopic 260-10. The Company presents basic earnings (loss) per share ("EPS") and diluted EPS on the face of consolidated statements of operations. Basic EPS is computed by dividing reported earnings (loss) by the weighted average shares outstanding. Diluted EPS is computed by adding to the weighted average shares the dilutive effect if preferred stock, stock options and warrants were exercised into common stock. For the three months ended March 31, 2013 and 2012, the denominator in the diluted EPS computation is greater than the denominator for basic EPS due to the effects of common stock that could be issued if the preferred stock was converted to common.

### 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 the Emerging Issues Task Force), the AICPA, and the SEC and they did not or are not believed by management to have a material impact on the Company's present or future financial statements.

**Year-end**

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

**Basis of Presentation**

The unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and reflect all adjustments which, in the opinion of management, are necessary for a fair presentation. All such adjustments are of a normal recurring nature. The results of operations for the interim period are not necessarily indicative of the results to be expected for a full year. Certain amounts in the prior year statements have been reclassified to conform to the current year presentations. The statements should be read in conjunction with the financial statements and footnotes thereto included in our audit for the year ended December 31, 2012.

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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 March 31, 2013, the Company maintained deposits with Apex and Wedbush of \$34,817 and \$61,412, respectively, for total restricted cash of \$96,229. 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 March 31, 2013 and December 31, 2012 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. During the year ended December 31, 2011, the Company made the determination that two of the investments had unrealized losses that were other-than-temporary and realized the losses. 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, 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.

As of March 31, 2013:

The Company held seven 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 \$75,890. 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 \$2,891 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 March 31, 2013.

NOTE 5 – Notes receivable

Brown:

On December 27, 2010, Rubicon 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, 2011 was \$19,037. During the year ended December 31, 2012, this note was paid off and the balance of the note as of December 31, 2012 was \$0.

Miscellaneous:

During the year ended December 31, 2011, Rubicon issued a total of four notes receivable in the total amount of \$95,571. \$44,667 in payments were received during the year 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.

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. During the three months ended March 31, 2013, the Company issued an additional note receivable in the amount of \$10,000. \$5,917 in payments were received during the three months ended March 31, 2013 and the balance receivable was \$70,318 as of March 31, 2013.

As of December 31, 2012 and March 31, 2013, there is a total of \$66,235 and \$70,318 in notes receivable, respectively.

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## NOTE 6 – Related Party Transactions

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

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

During the three months ended March 31, 2013, 426,000 shares of Series B convertible preferred stock were sold to an officer/director of the Company for \$426,000. See note 8 for further details.

## NOTE 7 – Notes payable

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

	December 31, 2012	March 31, 2013
Promissory note to an unrelated party for \$726,500, secured by all the assets of the Company including the stock of NCS, interest at 14%, and matures in December of 2015	\$ 712,256	\$ 662,307
Promissory note to a bank for \$100,000, secured by cash held in impound account at the bank. Bears interest at the prime rate, 3.25% as of December 31, 2012, and matures in March of 2013.	8,653	\$ -
Promissory note to a bank for \$100,000, secured by cash held in impound account at the bank. Bears interest at the prime rate, 3.25% as of December 31, 2012, and matures in March of 2014.	42,835	34,396
	\$ 763,744	\$ 696,703

As of March 31, 2013, \$253,550 of the notes payable are short-term and \$443,153 are long-term. As of December 31, 2012 \$254,335 of the notes payable is short-term and \$509,409 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 in March of 2014. As of December 31, 2012 and March 31, 2013, Rubicon had borrowed \$200,000 on the line.

Interest expense, related to the above, for the three months ended March 31, 2013 and 2012 was \$29,284 and \$3,844, respectively.

## NOTE 8 – 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.

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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

Holdings 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. Originally, the 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 convertible preferred stock. Series A Convertible Preferred Stock ranks senior to common stock in the event of liquidation.

Series B Convertible Preferred Stock

The Company established Series B Convertible Preferred Stock on February 23, 2013. Holders of Series B Convertible Preferred Stock shall have the right to ten votes for each share held on matters that come before the stockholders. Following the expiration of twelve months from the date of issuance, Series B Convertible Preferred Stock may be converted at a rate of five shares of common stock for each share of Series B Convertible Preferred stock. Series B Convertible Preferred Stock ranks senior to common stock in the event of liquidation. The Series B Convertible Preferred Stock is redeemable, in whole or in part, at a redemption price of \$1.00 per share under the following conditions:

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

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

Year Ended December 31, 2012

In the three months ended March 31, 2012, 275,000 shares of common stock that were owed but not issued at December 31, 2011 were issued.

In July of 2012, 100,000 shares of common stock were issued to an employee as compensation valued at \$40,000. The common stock was valued at the market value on the day of the grant.



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As of December 31, 2012, there were 62,500 Series A preferred shares issued and outstanding, 15,089,023 common shares issued and outstanding, and 250,000 common shares owed but not issued.

Three Months Ended March 31, 2013

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

As of March 31, 2013, there were 62,500 Series A preferred shares issued and outstanding, 426,000 Series B preferred shares issued and outstanding, 15,089,023 common shares issued and outstanding, and 250,000 common shares owed but not issued.

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## NOTE 9 – Warrants and options

## Warrants

As of March 31, 2013 and December 31, 2012, there are no outstanding warrants.

## Options

On June 2, 2008, the Company granted Mr. Grant Bettingen an option to purchase 500,000 shares of its common stock with an exercise price of \$1.00 pursuant to his employment agreement with NCS. The options expire on June 2, 2013.

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

	Options	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding as of 01/01/12:	500,000	\$ 1.00	-	\$-
Granted	-	-	-	-
Cancelled	-	-	-	-
Expired	-	-	-	-
Outstanding as of 12/31/12:	500,000	\$ 1.00	-	\$-
Granted	-	-	-	-
Cancelled	-	-	-	-
Expired	-	-	-	-
Outstanding as of 3/31/13:	500,000	\$ 1.00	-	\$-
Vested as of 3/31/13:	500,000	\$ 1.00	-	\$-

## NOTE 10 – Operating Segments

Rubicon's operating segments are evidence of its internal organization. The major segments are defined by the type of financial 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 intercompany eliminations.

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

The Company evaluates performance of individual operating segments based on pre-tax income (loss). On a consolidated basis, this amount represents total net loss as shown in the consolidated statement of operations. Reconciling items represent corporate costs that are not allocated to the operating segments including; insurance, office, legal, accounting, depreciation, executive compensation, and other professional services expenses. Such costs have not been allocated from the parent to the subsidiaries.

	The Three Months Ended March 31,	
	2013	2012
Revenue		
Brokerage services	\$ 3,970,707	\$ 4,214,600
	3,970,707	4,214,600
Expenses		
Brokerage services	3,911,211	3,876,626

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Corporate	212,144	254,024
	4,123,355	4,130,650
Net income (loss)	\$ (152,648 )	\$ 83,950

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NOTE 11 – 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 March 31, 2013 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.

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.

As of March 31, 2013 and December 31, 2012, the Company recorded a current liability for this contingency in the amount of \$268,000.

Scott Lawsuit:

The Company was party to a lawsuit from a former employee for wrongful termination and harassment. In February of 2013, a FINRA arbitration panel issued an order awarding \$300,000 in compensatory damages and \$125,863 in attorney's fees. Arbitration fees of \$19,650 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 settlement and arbitration fees were paid during the three months ended March 31, 2013 so there is no liability related to this contingency as of March 31, 2013.

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## 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 \$507,500 and \$472,500 as of March 31, 2013 and December 31, 2012, respectively, for these matters, which is included on its Consolidated Balance Sheet. Management feels it is unlikely that any expense associated with current litigation or arbitrations would exceed the amount accrued.

## Office lease agreements

In October of 2009, the Company entered into a long-term lease agreement for office space in Irvine, California commencing January 1, 2010 and ending on June 30, 2015. In December of 2012, the Company entered into a long-term lease agreement for office space in New York, New York commencing January 1, 2013 and ending on December 31, 2014. 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 \$66,154 and \$42,375 for the three months ended March 31, 2013 and 2012, respectively.

## NOTE 12 – 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.

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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 March 31, 2013:

	Level 1	Level 2	Level 3	Fair Value
Cash	\$ 1,997,548	\$ -	-	\$ 1,997,548
Accounts receivable	-	475,519	-	475,519
Marketable securities	75,890	-	-	75,890
Notes and interest receivable	-	70,318	-	70,318
Accounts payable	-	716,933	-	716,933
Accrued expenses	-	2,047,314	-	2,047,314
Notes payable	-	696,703	-	696,703

## NOTE 13 – Subsequent Events

The Company has evaluated all subsequent events through the date these financial statements were issued and determined that there are no subsequent events to record and the following subsequent events to disclose:

In May of 2013, the Company sold 1,666,668 units in a private offering for total proceeds of \$250,000. Each unit contains one share of common stock and one three-year warrant to purchase one share of common stock at an exercise price of \$0.50 per share.



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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.

For a detailed description of these and other factors that could cause actual results to differ materially from those expressed in any forward-looking statement, please see “Risk Factors” in this document and in our Annual Report on Form 10-K for the year ended December 31, 2012.

In this form 10-Q 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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## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

We are a financial service holding company operating primarily through our wholly-owned subsidiary, 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 single-source, financial services provider.

## Results of Operations

The following tables summarize selected items from the statement of operations for the three months ended March 31, 2013 and 2012.

## Revenue:

	Three Months Ended		Increase/(Decrease)	
	2013	2012	\$	%
Consolidated				
Revenue	\$ 3,970,707	\$ 4,214,600	\$ (243,893)	(6%)
Operating expenses	4,100,372	4,149,661	(49,289)	(1%)
Net operating income (loss)	\$ (129,665)	\$ 64,939	\$ (194,604)	(300%)

Our revenues decreased 6% during the three months ended March 31, 2013 over the same period in 2012. The revenue decrease for the period is the result of decreases in revenues generated by NCS due to general seasonality and the slight reduction of registered representatives.

During the three months ended March 31, 2013, our operating expenses decreased by 1%, primarily as the result of the decrease in professional fees. Due to the decrease in revenues and increased general and administrative expenses, we generated a net operating loss of \$129,665 for the three months ended March 31, 2013, compared to a net operating income of \$64,939 for the same quarter of 2012.

## Selling and Administrative Expenses:

	Three Months Ended		Increase/(Decrease)	
	2013	March 31, 2012	\$	%
Direct costs	\$ 3,219,104	\$ 3,164,488	\$ 54,616	2%
Consulting	10,520	24,429	(13,909)	(57%)
Professional fees	198,155	375,381	(177,226)	(47%)
Executive compensation	162,992	165,250	(2,258)	(1%)
General expenses	505,670	415,375	90,295	22%
Depreciation	3,931	4,738	(807)	(17%)
Operating expenses	\$ 4,100,372	\$ 4,149,661	\$ (49,289)	(1%)

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Operating expenses decreased by 1% for the first quarter of 2013 compared to the same period of 2012. The substantial decrease in professional fees (47%) was the result of decreased arbitration and litigation expenses in the three months ended March 31, 2013. In addition, the moderate increase in general expenses (22%) related to increased compliance matters and the costs associated therewith, however these were somewhat offset by the reduction in consulting fees (57%).

Our direct costs, which increased by 2%, have a direct relationship to our revenue and will increase or decrease with changes in revenue.

## Other income and (expense)

	Three Months Ended		Increase/(Decrease)	
	2013	March 31, 2012	\$	%
Consolidated				
Interest income	\$ 2,101	\$ 3,190	\$ (1,089)	(34%)
Interest (expense)	(29,284)	(3,844)	(25,440)	(662%)
Other income (expense)	4,200	19,665	(15,465)	(79%)

Other income and expense consists of interest earned and expenses. We experienced a 34% decline in interest income as a direct result of decreased cash resources held in interest bearing money market accounts. Interest was incurred during ordinary course of business through the use of corporate credit cards and line of credit.

During the three months ended March 31, 2013, other income decreased \$15,465 for the first quarter of 2013 over the same quarter of 2012 as a result of decreased other miscellaneous income derived from registered representatives.

Satisfaction of our cash obligations for the next 12 months.

As of March 31, 2013 we had available cash of \$1,901,319. 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 and into fiscal 2014. However, if we experience other than ordinary expenses or extraordinary events, we may need to raise additional funds through either equity, including convertible securities such as preferred stock or debentures, or debt financing.

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

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

Expected purchase or sale of plant and significant equipment.

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

Significant changes in the number of employees.

We have experienced significant changes in our staffing and executive management team as a result of our business acquisitions. Historically we have relied on outside consultants to fulfill the needs of the Company while also relying heavily on our CEO, Joseph Mangiapane, Jr. whom 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 employ three executives and fifteen administrative staff within NCS.

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## Liquidity and Capital Resources

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

The following table summarizes our current assets, liabilities and working capital at March 31, 2013 compared to December 31, 2012.

	March 31, 2013	December 31, 2012	Increase / (Decrease)	
			\$	%
Current Assets	\$ 2,756,174	\$ 2,619,238	\$ 136,936	5%
Current Liabilities	3,217,797	3,257,168	(39,371)	(1%)
Working Capital	\$ (461,623)	\$ (637,930)	\$ 176,307	28%

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

We believe the \$1,901,319 in un-restricted cash on hand at March 31, 2013 will be sufficient to sustain operations through fiscal 2013 and into fiscal 2014. However, as we expand operations or experience unforeseen expenditures or other demands on cash, we may need to seek additional funding for operations through equity or debt offerings and may need to further do so in the future through additional financing, acquisitions, joint ventures or other means available to us.

## 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 recognizes revenue in accordance with ASC subtopic 605-10 (formerly SEC Staff Accounting Bulletin No. 104 and 13A, "Revenue Recognition") net of expected cancellations and allowances. As of December 31, 2010 and 2009, 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 the Emerging Issues Task Force), the AICPA, and the SEC and we did not or are not believed by management to have a material impact on our present or future financial statements.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable.

Item 4. 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.

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PART II--OTHER INFORMATION

Item 1. Legal Proceedings.

In addition to the matters described below, in the normal course of business, we have been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation, arising in connection with our activities as a financial services company. Certain of the actual or threatened legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. In some cases, the entities 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.

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.

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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.

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. We are currently negotiating a settlement on this case which is anticipated to be consummated in the second quarter of 2013.

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 5 below to contribute capital into Newport Coast Securities, Inc. Accordingly, the regulatory capital of Newport Coast Securities, Inc. did not change as a result of the award.

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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 \$507,500 and \$472,500 as of March 31, 2013 and December 31, 2012, respectively, for these matters, which is included on our Consolidated Balance Sheet. Management feels it is unlikely that any expense associated with current litigation or arbitrations would exceed the amount accrued.

Item 1A. Risk Factors.

Our significant business risks are described in Item 1A to Form 10-K for the year ended December 31, 2012 to which reference is made herein.

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

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.

Subsequent Sales

On May 1, 2013, we conducted the first closing under a private placement offering selling 1,566,668 units for \$235,000 to four accredited investors. Each unit consists of one share of common stock and one three year warrant to purchase one share of common stock for \$0.50 per share. The shares of common stock have not been issued as of the date of this report.

On May 10, 2013, we conducted the second closing under a private placement offering selling 100,000 units for \$15,000 to one accredited investor. Each unit consists of one share of common stock and one three year warrant to purchase one share of common stock for \$0.50 per share. The shares of common stock have not been issued as of the date of this report.

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

Issuer Purchases of Equity Securities

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

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

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Item 5. Other Information.

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.

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.

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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.

(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).

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(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. 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:

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- (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.

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.

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(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”):

(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.

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(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.

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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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## Item 6. Exhibits.

Exhibit	Exhibit Description	Filed herewith	Incorporated by reference		
			Form	Period ending	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
31.1	<u>Certification of Joseph Mangiapane, Jr., Chief Executive Officer and Principal Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act</u>	X			
32.1		X			

Certification of Joseph Mangiapane, Jr., Chief  
Executive Officer and Principal Financial Officer,  
pursuant to Section 906 of the Sarbanes-Oxley Act

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

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

RUBICON FINANCIAL INCORPORATED  
(Registrant)

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

Date: May 15, 2013

