

RUBICON FINANCIAL INC
Form 10-K/A
March 07, 2012

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

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

(Mark One)

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

For the fiscal year ended December 31, 2010

or

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

Commission file number 000-29315

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

Delaware
(State or other jurisdiction of incorporation or organization)

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

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

92612
(Zip Code)

Registrant's telephone number, including area code (949) 798-7220

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes No

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

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

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. \$3,254,277.39 based on a share value of \$0.39.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. 14,898,023 shares of common stock, \$0.001 par value, outstanding on March 24, 2011.

DOCUMENTS INCORPORATED BY REFERENCE

None.

EXPLANATORY NOTE

Rubicon Financial Incorporated is filing this Amendment No. 1 to Form 10-K (the "Amendment") to amend its annual report for the fiscal year ended December 31, 2010, as filed with the Securities and Exchange Commission on March 31, 2011 (the "Annual Report"). The purpose of this Amendment is to revise the Annual Report to reflect a change in the unrealized losses for marketable securities, as set forth in Footnote 5 and 18 to the financial statements, discovered as a result of comments received from the United States Securities and Exchange Commission. Except for the cover page and this explanatory note, this Amendment continues to speak as of the original filing date for the Annual Report and does not update the disclosures contained therein to reflect any events or results which occurred subsequent to the filing date of the original Annual Report other than (i) the changes to the Registrant's financial statements and footnotes contained in Item 8 of this Amendment, (ii) to revise Item 9A(T) to disclose the material weakness in accounting for marketable securities, (iii) revise Item 7 to include the realized loss on investments of \$1,151,915, and (vi) include updated Section 302 and 906 certifications.

Table of Contents

RUBICON FINANCIAL INCORPORATED
FORM 10-K
TABLE OF CONTENTS

		Page
PART I		2
	<u>Item 1. Business</u>	2
	<u>Item 1A. Risk Factors</u>	13
	<u>Item 1B. Unresolved Staff Comments</u>	26
	<u>Item 2. Properties</u>	26
	<u>Item 3. Legal Proceedings</u>	26
	<u>Item 4. (Removed and Reserved)</u>	29
PART II		29
	<u>Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	29
	<u>Item 6. Selected Financial Data</u>	33
	<u>Item 7. Management’s Discussion and Analysis of financial Condition and Results of Operations</u>	33
	<u>Item 7A. Quantitative and Qualitative Disclosures about Market Risk</u>	42
	<u>Item 8. Financial Statements and Supplementary Data</u>	43
	<u>Item 9. Changes and Disagreements with Accountants on Accounting and Financial Disclosure</u>	44
	<u>Item 9A(T). Controls and Procedures</u>	44
	<u>Item 9B. Other Information</u>	44
Part III		45
	<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	45
	<u>Item 11. Executive Compensation</u>	48
	<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	51
	<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	52
	<u>Item 14. Principal Accountant Fees and Services</u>	53
Part IV		54
	<u>Item 15. Exhibits, Financial Statement Schedules</u>	54

Table of Contents

FORWARD-LOOKING STATEMENTS

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

Forward-looking statements may include the words “may,” “could,” “estimate,” “intend,” “continue,” “believe,” “expect” or “anticipate” or other similar words. These forward-looking statements present our estimates and assumptions only as of the date of this report. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the dates on which they are made. We do not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the dates they are made. You should, however, consult further disclosures we make in this 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;
 - our ability to successfully compete in the financial services industry;
 - actions and initiatives taken by both current and potential competitors;
 - inability to raise additional financing for working capital;
- inability to locate potential mergers and acquisitions within the financial services industry and integrate acquired companies into our organization;
- deterioration in the financial services markets, lending markets and the real estate markets in general as a result of the delinquencies in the “subprime” mortgage markets;
 - the level of volatility of interest rates as well as the shape of the yield curve;
- the fact that our accounting policies and methods are fundamental to how we report our financial condition and results of operations, and they may require management to make estimates about matters that are inherently uncertain;
- adverse state or federal legislation or regulation that increases the costs of compliance, or adverse findings by a regulator with respect to existing operations;
- changes in U.S. GAAP or in the legal, regulatory and legislative environments in the markets in which we operate;
 - inability to efficiently manage our operations;
 - inability to achieve future operating results;
 - the unavailability of funds for capital expenditures;
 - our ability to recruit and hire key employees;
 - the inability of management to effectively implement our strategies and business plans; and
 - the other risks and uncertainties detailed in this report.

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

Table of Contents

AVAILABLE INFORMATION

We file annual, quarterly and special reports and other information with the SEC. You can read these SEC filings and reports over the Internet at the SEC's website at www.sec.gov or on our website at www.rubiconfinancial.com (currently under construction and anticipated to be completed on or before June of 2011). You can also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 am and 3:00 pm. Please call the SEC at (800) SEC-0330 for further information on the operations of the public reference facilities. We will provide a copy of our annual report to security holders, including audited financial statements, at no charge upon receipt to of a written request to us at Rubicon Financial Incorporated, 18872 MacArthur Blvd., First Floor, Irvine, California 92612.

PART I

Item 1. Business.

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

Subsidiaries

Newport Coast Securities, Inc. ("NCS"), a broker-dealer registered with the SEC, member of the FINRA, is a full-service broker-dealer striving to provide its clients and account executives access to an extensive line of financial products and services designed to meet the goals of all levels of investors. NCS provides its clients with all financial services including securities brokerage, trading, mutual funds, insurance, alternative investments, fixed income and investment banking. NCS, doing business as Newport Coast Asset Management, is also a Registered Investment Advisor, offering asset management and financial planning services and also offers a full line of insurance products through its insurance General Agency.

Table of Contents

Rubicon Financial Insurance Services, Inc., (“RFIS”), previously offered commercial, life, health and personal lines of insurance products made available by top rated insurance providers. RFIS also provided long-term care insurance, workers compensation, as well as disability and group health insurance. RFIS was sold on September 30, 2010.

Our subsidiary, Rubicon Real Estate and Mortgages Inc., (“RREM”), previously operated as a broker and originator of real estate loans and mortgages. Due to the overall global recession and dramatic decline in the real estate market, RREM was inactive for most of 2010 and dissolved in June 2010.

Further, we intend to continue to identify additional business opportunities as and when they arise.

Our executive office is located at 18872 MacArthur Blvd., First Floor, Irvine, California 92612. Our telephone number is (949) 798-7220 and our website address is www.rubiconfinancial.com, which is currently under construction and anticipated to be available to the public on or before June of 2011. The information on our website is for information purposes only and is not incorporated by reference into this report.

Business Development

We were originally incorporated in Delaware on April 28, 1986 under the name Art World Industries, Inc. On August 6, 2002, we changed our name to ISSG, Inc. In addition, on March 9, 2004, we completed the acquisition of a wholly owned subsidiary, Dial-A-Cup Corporation, a New York Corporation, which was re-domiciled in Nevada on May 18, 2007. Further, on June 2, 2005, we completed a merger with Rub Investments Ltd., (“Rub”) a company reporting under the Securities Exchange Act of 1934, as amended (“Exchange Act”). Following the merger with Rub, in accordance with Rule 12g-3(a) of the General Rules and Regulations of the Securities and Exchange Commission, we were the successor issuer to Rub for reporting purposes under the Exchange Act. Lastly, on September 6, 2006, we changed our name to Rubicon Financial Incorporated.

In the fourth quarter of 2006, we changed our corporate focus to the financial services industry with our goal to become a single source provider of financial related services. In 2007, we completed the acquisition of our first two financial services entities, (i) RFIS, and (ii) RREM. Further, in June of 2008 we completed the acquisition of NCS. In 2010, we sold RFIS and dissolved RREM.

Economic Conditions

Beginning in the second half of 2007 and throughout 2010, significant weakness and volatility in the credit markets stemming from difficulties in the U.S. housing market spread to the broader financial market and led to a decline in global economic growth that has resulted in a significant recession. Specifically, declines in the value of subprime mortgages spread to all mortgage and real estate asset classes, then to leveraged bank loans and eventually to nearly all asset classes, including equities. The declines in asset values had collateral consequences that increased the downward pressure on valuations. For example, investor margin calls, collateral posting requirements among counterparties, and redemptions within asset management increased. The decrease in asset values, coupled with the loss of investor confidence, exacerbated the negative market conditions, which eventually led to the failure or merger of a number of prominent financial institutions. As a result, financial institutions have reduced their willingness to lend, reducing liquidity that has historically funded large sections of the U.S. economy.

Table of Contents

In 2011, it is expected that these conditions and the recession will persist, causing a continuation of the unfavorable economic and market dynamics experienced in 2010, and possibly leading to a further decline in economic and market conditions. We may experience reduced transaction volumes, reduced revenue and reduced profitability throughout 2011.

However, even with the unfavorable economic conditions experienced in fiscal 2010, we managed to increase our revenues by over 16% from fiscal 2009, reduce our net operating loss by 68% and continue to grow our operations.

OUR BUSINESS

Overview

We have established our headquarters in Orange County, California to capitalize on what our management believes to be a large and affluent demographic base for our services. The types of financial services we offer are as follows: insurance; investment banking services for small to mid-sized companies; securities market making; investment management and financial planning; and retail and institutional brokerage services. Each subsidiary providing these services is an individually licensed corporation doing business under the parent holding company.

Securities

Newport Coast Securities, Inc.

NCS has been registered as a securities broker-dealer with the SEC for over a quarter of a century and has been located in the Orange County, California area since 1985.

Since mid-2008, we have expended tremendous time and resources into transforming NCS into a full service broker-dealer that provides retail and institutional securities services as well as investment banking, trading, market-making, brokerage, investment advisory and financial planning, and insurance services. NCS is a \$100,000 broker/dealer with approximately 150 registered representatives in 44 branch offices producing in excess of \$14.4 million in revenues for the year ended December 31, 2010.

Table of Contents

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

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

Products and Services

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

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

Investment Banking

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

Table of Contents

Alternative Investment Products

One asset class that Newport Coast Securities offers is Alternative Investments. Where most traditional wirehouses and even some larger independent brokerages do not allow their brokers to provide their qualified clients with access to these instruments, Newport Coast Securities believes that there are many benefits to being able to offer Alternative Investments. Many of these investments are uncorrelated to the market, may provide tax benefits, and/or cash flow, while still providing potential appreciation.

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

Insurance

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

Trading and Brokerage

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

Investment Advisory

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

Table of Contents

Rubicon Securities, Inc.

In February of 2007, we incorporated Rubicon Securities, Inc., a Nevada corporation (“RSI”), as a wholly owned subsidiary in anticipation of RSI becoming a licensed and registered broker/dealer. However, RSI has not conducted any business and remains as a non-operating dormant subsidiary.

Insurance

Rubicon Financial Insurance Services, Inc.

Through RFIS, we offered commercial, life, health and personal lines insurance products provided by top rated insurance companies. RFIS was sold to the former president, Todd Torneo, on September 30, 2010. We now offer insurance products through NCS.

Real Estate and Mortgage

Rubicon Real Estate and Mortgages, Inc.

Rubicon Real Estate and Mortgages, Inc. (“RREM”) was formerly a “full service” real estate and mortgage company. However, due to the current global recession and dramatic down turn in the real estate market, especially in Southern California, RREM was dissolved in June of 2010.

Rubicon’s Professional Corporate Team

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

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

Table of Contents

Risk Management

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

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

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

Net Capital Requirements

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

At December 31, 2010, NCS had net capital of \$722,519 which was \$622,519 in excess of its required net capital of \$100,000.

Table of Contents

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

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

Competition

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

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

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

Table of Contents

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

Regulation

Securities

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

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

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

Table of Contents

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

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

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

Insurance

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

At the Federal level, there is periodic interest in enacting new regulations relating to various aspects of the insurance industry, including taxation of annuities and life insurance policies, accounting procedures, and the treatment of persons differently because of gender, with respect to terms, conditions, rates or benefits of an insurance policy. Adoption of any new federal regulation in any of these areas could potentially have an adverse effect upon us and any insurance subsidiary. Also, recent federal legislative proposals aimed at the promotion of tax-advantaged savings through Lifetime Savings Accounts and Retirement Savings Accounts may adversely impact our sales of annuity and life insurance products if enacted.

Table of Contents

DIAL-A-CUP SPINOUT

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

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

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

DAC Business

Dial-A-Cup is a rotating cylinder appliance of six individual compartments that allows one fresh cup of coffee, tea, hot chocolate, soup, etc to be brewed with each compartment having its own permanent filter. DAC developed the appliance through Advance Plastics (San Diego, CA) and its manufacturing facilities in China. The first prototype was completed in late 2004, and the initial pre-production appliances are currently being manufactured from the recently completed molds for submission for UL approval.

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

The on-demand coffee systems currently being marketed have met with poor sales because they require the use of the manufacturers “coffee pods” which are expensive and limited in selection. The Dial-A-Cup appliance is designed to allow the customer to continue to use the brand of coffee, or other beverage, they currently use in their drip coffee pots. DAC plans to market its own private label custom blended coffee for its appliance and recently DAC has engaged in discussions with a major coffee company, which may allow DAC to offer a greater selection of blends at a consumer friendly price.

Table of Contents

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

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

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

Further, on February 22, 2011, DAC issued a press release announcing that it had entered into a letter of intent to merge with Horizon Exterior Technology, Inc. ("Horizon").

Horizon is the exclusive distributor of high quality roofing, fascia, and interior wall tiles imported from China. These ICC tested and approved light-weight ultra-durable porcelain-ceramic tiles are intended to be sold through a network of regional distributors to national builders, building supply houses, select retailers, and registered, authorized contractors.

The letter of intent requires completion of formal substantive agreements with substantial conditions to be performed, including the following: adequate due diligence by DAC, approval by each party's respective shareholders, approval of each party's respective board of directors, pre-merger financing by Horizon, and other conditions which would need to be satisfied in a transaction of this nature.

Item 1A. Risk Factors.

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

Risks Relating To Our Business and Marketplace

Declining economic conditions could negatively impact our business

Our businesses and earnings are affected by general business and economic conditions in the United States and abroad. General business and economic conditions that could affect us include the level and volatility of short-term and long-term interest rates, inflation, home prices, employment levels, bankruptcies, household income, consumer spending, fluctuations in both debt and equity capital markets, liquidity of the global financial markets, the availability and cost of credit, investor confidence, and the strength of the U.S. economy and the local economies in which we operate.

Table of Contents

Economic conditions in the United States and abroad deteriorated significantly during the second half of 2008, and the United States, Europe and Japan currently are in a recession. Dramatic declines in the housing market, with falling home prices and increasing foreclosures, unemployment and under-employment, have negatively impacted the credit performance of mortgage loans and resulted in significant write-downs of asset values by financial institutions, including government sponsored entities as well as major commercial and investment banks. These write-downs, initially of mortgage-backed securities but spreading to credit default swaps and other derivatives and cash securities, in turn, have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail. Many lenders and institutional investors have reduced or ceased providing funding to borrowers, including to other financial institutions, reflecting concern about the stability of the financial markets generally and the strength of counterparties. This market turmoil and tightening of credit have led to an increased level of commercial and consumer delinquencies, a significant reduction in consumer confidence, increased market volatility and widespread reduction of business activity generally. The resulting economic pressure on consumers and lack of confidence in the financial markets has adversely affected our business, financial condition, results of operations, liquidity and access to capital and credit. We do not expect that the difficult conditions in the United States and international financial markets are likely to improve in the near future. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and others in the financial services industry.

Continued instability of the U.S. financial system may have a negative impact on our business.

Beginning in the fourth quarter of 2008, the U.S. government has responded to the ongoing financial crisis and economic slowdown by enacting new legislation and expanding or establishing a number of programs and initiatives. Each of the U.S. Treasury, the FDIC and the Federal Reserve Board have developed programs and facilities, including, among others, the U.S. Treasury's Troubled Asset Relief Program ("TARP") Capital Purchase Program and other efforts designed to increase inter-bank lending, improve funding for consumer receivables and restore consumer and counterparty confidence in the banking sector. In addition, Congress recently passed the American Recovery and Reinvestment Act of 2009 (the "ARRA"), legislation intended to expand and establish government spending programs and provide tax cuts to stimulate the economy. Congress and the U.S. government continue to evaluate and develop various programs and initiatives designed to stabilize the financial and housing markets and stimulate the economy, including the U.S. Treasury's recently announced Financial Stability Plan and the U.S. government's recently announced foreclosure prevention program. The final form of any such programs or initiatives or related legislation cannot be known at this time. There can be no assurance as to the impact that ARRA, the Financial Stability Plan or any other such initiatives or governmental programs will have on the financial markets, including the extreme levels of volatility and limited credit availability currently being experienced. The failure of these efforts to stabilize the financial markets and a continuation or worsening of current financial market conditions could materially and adversely affect our business, financial condition, results of operations, access to credit, or the trading price of our securities.

Table of Contents

During the year ended December 31, 2010, the U.S. credit markets have been dealing with the effects of numerous defaults by homeowners on “subprime” mortgage loans, which may materially impact our real estate and mortgage subsidiary.

“Subprime” mortgage loan defaults could adversely impact the operations of our real estate and mortgage division. In addition, subprime mortgage loan defaults began to increase with respect to mortgages considered to be less credit risk than “subprime” mortgages. It is expected that mortgage default rates will continue to increase at least throughout the first half of 2011. These defaults have not only had a materially adverse impact on the spending power of the borrowers of such defaulted mortgage loans, but have also reduced the ability of buyers of residential properties to acquire single family residences, in addition to reductions in the value of investment portfolios containing securities affected by such mortgages. Because the real estate and mortgage division is highly dependent upon fees and commissions based upon sales and financings related to residential and investment properties, the downward trend in “subprime” mortgages may materially impact our results of operations on a consolidated basis.

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

We incurred significant losses from operations for each of the years ended December 31, 2010 and 2009, respectively. We cannot assure you that we will be able to achieve revenue growth, profitability or positive cash flow on either a quarterly or annual basis. Although we believe that we have adequate cash and regulatory capital to fund our current level of operating activities through December 31, 2011, if we are unable to sustain profitability, we may not be financially viable in the future and may have to curtail, suspend or cease operations.

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

As a result of our deficiency in working capital at December 31, 2010 and other factors, our auditors have included a paragraph in their audit report regarding substantial doubt about our ability to continue as a going concern. Our plans in this regard are to seek merger or acquisition candidates and to seek additional capital through future equity private placements or debt facilities.

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

We have and expect to continue to have substantial capital expenditure and working capital needs. We believe that current cash on hand and the other sources of liquidity may not be sufficient enough to fund our operations beyond fiscal 2010. Therefore, we may need to raise additional funds to continue our operations. Furthermore, additional funds will be needed to pursue our intentions of acquiring private companies in the financial services industry.

Table of Contents

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

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

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

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

Access to funds is essential to our anticipated business of financial services. In the future we may need to incur debt or issue equity in order to fund our working capital requirements, as well as to make acquisitions and other investments. Our access to funding sources could be hindered by many factors. Those factors that are specific to our anticipated line of business include the possibility that lenders could develop a negative perception of our long-term or short-term financial prospects if we incur large trading losses or legal liabilities or if the level of our business activity decreases due to a market downturn. Similarly, our access may be impaired if regulatory authorities take significant action against us, or if our employees engage in material unauthorized or illegal activity.

We have limited operating history in the financial services industry and there can be no assurance that we will be successful in this industry.

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

Table of Contents

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

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

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

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

Misconduct could include:

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

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

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

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

Table of Contents

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

Table of Contents

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

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

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

In addition, financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. Under these extreme conditions, hedging and other risk management strategies may not be as effective at mitigating trading losses as they would be under more normal market conditions. Moreover, under these conditions market participants are particularly exposed to trading strategies employed by many market participants simultaneously and on a large scale, such as crowded trades. Severe market events have historically been difficult to predict, however, and we could realize significant losses if unprecedented extreme market events were to occur, such as conditions in the global financial markets and global economy that prevailed from 2008 into 2009.

Holding large and concentrated positions may expose us to losses.

Concentration of risk may reduce revenues or result in losses in our market-making, proprietary trading, investing, block trading, and underwriting businesses in the event of unfavorable market movements. We commit a fair amount of capital to these businesses, which often results in our taking positions in the securities of a particular issuer or issuers in a particular industry, country or region.

Table of Contents

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

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

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

As a financial services firm, we are subject to extensive regulation by U.S. federal and state regulatory agencies and securities exchanges and by regulators and exchanges in each of the major markets where it operates. We also face the risk of investigations and proceedings by governmental and self-regulatory agencies in all states in which we conduct our business. Interventions by authorities may result in adverse judgments, settlements, fines, penalties, injunctions or other relief. In addition to the monetary consequences, these measures could, for example, impact our ability to engage in, or impose limitations on, certain of our businesses. The number of these investigations and proceedings, as well as the amount of penalties and fines sought, has increased substantially in recent years with regard to many firms in the financial services industry. Significant regulatory action against us could materially adversely affect our business, financial condition or results of operations or cause us significant reputational harm, which could seriously harm our business.

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

We have been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions, and other litigation, as well as investigations or proceedings brought by regulatory agencies, arising in connection with our activities as a financial services company. Certain of the actual or threatened legal actions include claims for substantial compensatory and/or punitive damages, claims for indeterminate amounts of damages, or may result in penalties, fines, or other results adverse to us. In some cases, the issuers that would otherwise be the primary defendants in such cases are bankrupt or in financial distress. Like any corporation, we are also subject to risk from potential employee misconduct, including non-compliance with policies and improper use or disclosure of confidential information.

Substantial legal liability could materially adversely affect our business, financial condition or results of operations or cause us significant reputational harm, which could seriously harm our business. For more information regarding legal proceedings in which we are involved see “Legal Proceedings” in Part I, Item 3 herein.

Table of Contents

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

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

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

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

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

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

We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit, operational and legal reporting systems. Nonetheless, the effectiveness of our ability to manage risk exposure can never be completely or accurately predicted or fully assured. For example, unexpectedly large or rapid movements or disruptions in one or more markets or other unforeseen developments can have a material adverse effect on our results of operations and financial condition. The consequences of these developments can include losses due to adverse changes in inventory values, decreases in the liquidity of trading positions, higher volatility in earnings, increases in our credit risk to customers as well as to third parties and increases in general systemic risk.

Table of Contents

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

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

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

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

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

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

Table of Contents

Our internal controls may be inadequate, which could cause our financial reporting to be unreliable and lead to misinformation being disseminated to the public.

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

We have a limited number of personnel that are required to perform various roles and duties as well as be responsible for monitoring and ensuring compliance with our internal control procedures. As a result, our internal controls may be inadequate or ineffective, which could cause our financial reporting to be unreliable and lead to misinformation being disseminated to the public. Investors relying upon this misinformation may make an uninformed investment decision.

Risks Relating To Our Common Stock

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

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

- Deliver to the customer, and obtain a written receipt for, a disclosure document;
 - Disclose certain price information about the stock;
- Disclose the amount of compensation received by the broker-dealer or any associated person of the broker-dealer;
 - Send monthly statements to customers with market and price information about the penny stock; and
- In some circumstances, approve the purchaser's account under certain standards and deliver written statements to the customer with information specified in the rules.

Table of Contents

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

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

Companies trading on the OTC Bulletin Board, such as us, must be reporting issuers under Section 12 of the Securities Exchange Act of 1934, as amended, and must be current in their reports under Section 13, in order to maintain price quotation privileges on the OTC Bulletin Board. More specifically, FINRA has enacted Rule 6530, which determines eligibility of issuers quoted on the OTC Bulletin Board by requiring an issuer to be current in its filings with the Commission. Pursuant to Rule 6530(e), if we file our reports late with the Commission three times in a two-year period or our securities are removed from the OTC Bulletin Board for failure to timely file twice in a two-year period then we will be ineligible for quotation on the OTC Bulletin Board. As a result, the market liquidity for our securities could be severely adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market. We have not been late in any of our SEC reports through December 31, 2010.

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

Our Certificate of Incorporation authorizes the Board of Directors to issue up to 50,000,000 shares of common stock and 10,000,000 shares of preferred stock. The power of the Board of Directors to issue shares of common stock, preferred stock or warrants or options to purchase shares of common stock or preferred stock is generally not subject to shareholder approval. Accordingly, any additional issuance of our common stock, or preferred stock that may be convertible into common stock, may have the effect of diluting one's investment.

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

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

Table of Contents

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

In addition to the "penny stock" rules described above, FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, the FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

Additional Risks and Uncertainties

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

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

Our corporate headquarters are located at 18872 MacArthur Blvd., First Floor, Irvine, California 92612. Our wholly owned subsidiary, Newport Coast Securities, Inc., leases approximately 11,000 sq. ft. of general office space, which we occupy, with monthly rent of approximately \$15,000. The lease expires on June 30, 2015. We believe our current office space is adequate for our immediate needs; however, as our operations expand, we may need to locate and secure additional office space.

Item 3. Legal Proceedings.

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

Table of Contents

Rubicon Financial Incorporated v. Grant Bettingen

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

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

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

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

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

The demurrer is sustained without leave to amend.

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

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

The Court’s ruling effectively dismissed the Bettingens second amended cross-complaint and the causes of action resulting therefrom.

Table of Contents

In addition, on October 14, 2010, our motion for attorney's fees and costs against the Bettingens was granted. The Court's ruling was as follows:

RUBICON FINANCIAL INCORPORATED (RUBICON) V. BETTINGEN, ET AL.

Motion by cross-defendant Rubicon for attorneys' fees and costs:

The motion is granted.

The court finds the cross-defendants are the prevailing parties on the breach of contract causes of action.

The court finds that no apportionment of fees and costs need be allocated between the contract causes of action and the other causes of action.

The court further finds reasonable attorneys' fees in the sum of \$337,634.00, and costs in the sum of \$18,235.50, and orders such amounts be awarded to the cross-defendants jointly, and against the cross-complainants M. Grant Bettingen, individually and as Trustee of the Bettingen 1999 Trust, and Chrisi Bettingen, all jointly and severally.

The moving parties are hereby ordered to prepare, file and serve the proposed order and judgment in accordance with this ruling, and shall give notice of ruling.

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

Rubicon Financial Incorporated v. Marc Riviello

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

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

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

We are currently seeking to collect on this judgment.

Item 4. (Removed and Reserved).

Table of Contents

PART II

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

(a) Market Information

Our Common Stock traded sporadically on the over-the-counter bulletin board market (OTC:BB) through February of 2011 and currently trades on the Pink Sheets under the symbol RBCF. Our common stock has traded infrequently on the OTC:BB, which limits our ability to locate accurate high and low bid prices for each quarter within the last two fiscal years. Therefore, the following table lists the available quotations for the high and low bid prices for the fiscal years 2010 and 2009. The quotations from the OTC Bulletin Board reflect inter-dealer prices without retail mark-up, markdown, or commissions and may not represent actual transactions.

	2010		2009	
	High	Low	High	Low
1st Quarter	\$ 0.32	\$ 0.20	\$ 0.30	\$ 0.08
2nd Quarter	\$ 0.40	\$ 0.18	\$ 0.26	\$ 0.05
3rd Quarter	\$ 0.40	\$ 0.20	\$ 0.15	\$ 0.06
4th Quarter	\$ 0.40	\$ 0.25	\$ 0.53	\$ 0.09

(b) Holders of Common Stock

As of March 24, 2010, there were approximately 457 holders of record of our Common Stock and 14,898,023 shares outstanding. As of March 29, 2011, the closing price of our shares of common stock on the Pink Sheets was \$0.25 per share.

(c) Dividends

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

(d) Securities Authorized for Issuance under Equity Compensation Plans

Table of Contents

2007 Stock Option Plan

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

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

Terms of Stock Option Awards

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

- (a) Exercise price per share for each share a Participant is entitled to purchase under a nonqualified option will be determined by the Committee. The exercise price per share for each share a Participant is entitled to purchase under an incentive stock option shall be determined by the Committee but will not be less than Fair Market Value Per Share on the grant date. However, Incentive Stock Options issues to 10% or more holders shall be issued at no less than 110% of Fair Market Value.
- (b) The consideration to be paid for the shares to be issued upon the exercise of an option shall be determined by the Committee and may consist of cash, shares of our common stock, such other cashless basis, or such other consideration and method permitted under the applicable state and federal laws.
- (c) Each option granted shall be exercisable at such times and under conditions determined by the Committee. However, in no event, shall an option be exercisable after 10 years from the grant date or 5 years from the grant date if the Participant owns more than 10% of the total combined voting power of all classes of stock of Rubicon Financial or its subsidiaries on the grant date.
- (d) If a Participant ceases to be employed by us for any reason other than disability or cause, Participant's options will expire no later than 6 months thereafter. During those six months, Participant may exercise any option granted to him but only those that were exercisable on the date of termination.
- (e) If a Participant ceases to be employed by Rubicon Financial due to a disability, as defined by the Section 22(e)(3) of the Code, the Participant's options will expire no later than 1 year thereafter. During that year, Participant may exercise any option granted but only those that were exercisable on the date termination due to the disability.
- (f) If a Participant is terminated by us for cause (as defined in the 2007 Plan), the Participant's options shall expire immediately, unless the Committee in its sole discretion within 30 days of such termination waive the expiration through written notice to the Participant.

Table of Contents

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

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

As of December 31, 2010, we granted 1,000,000 options under this plan.

2007 Acquisition Stock Plan

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

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

Individual Participant Limitation

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

Incentive Stock Options

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

Table of Contents

Restricted Stock

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

As of December 31, 2010, we had granted options to purchase 300,000 shares under the 2007 stock acquisition plan, which were terminated on September 30, 2010.

Recent Sales of Unregistered Securities

On May 21, 2010, we authorized the issuance 250,000 shares of our common stock for legal services to DeMint Law, PLLC valued at \$50,000. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2) thereof. These shares were issued in March of 2011.

On May 21, 2010, we authorized the issuance 500,000 shares of our common stock to Kathleen McPherson, a director and chief executive officer of NCS, for services rendered to NCS valued at \$100,000. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2) thereof. These shares were issued in March of 2011.

On May 21, 2010, we authorized the issuance 150,000 shares of our common stock to the former president of NCS for services valued at \$30,000. These shares were never issued and effectively cancelled concurrent with the departure of the president of NCS in January of 2011.

On May 21, 2010, we authorized the award of 100,000 shares of our restricted common stock for a bonus valued at \$20,000 to one of the registered representatives of our wholly owned subsidiary, NCS. The shares were awarded pursuant to the Rubicon Financial Incorporated 2007 Acquisition Stock Plan and registered on the Form S-8 filed on July 30, 2009. These shares were issued in March of 2011.

Table of Contents

Issuer Purchases of Equity Securities

We did not repurchase any of our equity securities during the year ended December 31, 2010.

Item 6. Selected Financial Data.

Not applicable.

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

Overview of Current 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. During 2010 we also had two other operating subsidiaries; (i) Rubicon Financial Insurance Services, Inc. ("RFIS"), a full service insurance agency; and (ii) Rubicon Real Estate and Mortgages, Inc. ("RREM"), which provided professional assistance in the fields of residential and commercial real estate and mortgage loans in California. RFIS was disposed of through the sale to its former president in September of 2010 and RREM was dissolved in June of 2010.

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.

On February 22, 2011, DAC issued a press release announcing that it had entered into a letter of intent to merge with Horizon Exterior Technology, Inc. ("Horizon"). Horizon is the exclusive distributor of high quality roofing, fascia, and interior wall tiles imported from China. These ICC tested and approved light-weight ultra-durable porcelain-ceramic tiles are intended to be sold through a network of regional distributors to national builders, building supply houses, select retailers, and registered, authorized contractors.

The letter of intent requires completion of formal substantive agreements with substantial conditions to be performed, including the following: adequate due diligence by DAC, approval by each party's respective shareholders, approval of each party's respective board of directors, pre-merger financing by Horizon, and other conditions which would need to be satisfied in a transaction of this nature.

Table of Contents

Overview of Financial Services

Economic Conditions

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

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

Results of Operations

The following tables summarize selected items from the statement of operations for the years ended December 31, 2010 and 2009.

Revenue:

	Years Ended		Increase/(Decrease)	
	2010	December 31, 2009	\$	%
Consolidated				
Revenue	\$ 14,436,637	\$ 12,400,188	\$ 2,036,449	16 %
Operating expenses	15,204,700	12,856,977	2,347,723	18 %
Net operating (loss)	\$ (768,063)	\$ (456,789)	\$ (311,274)	68 %

Our revenues increased 16% during fiscal 2010. The revenue increase for the year over year periods is the result of increases in revenues generated by NCS, primarily through the recruitment of additional registered representatives and increase in commissions from alternative investment products.

Table of Contents

During the year ended December 31, 2010, our operating expenses increased by only 18%, which tracked closely to our increase in revenue. However, our net operating loss increased by \$311,274, which included non-cash expenses totaling \$370,714 relating to depreciation and the issuance of shares of our common stock for services.

Revenue by Segment

	Years Ended December 31,		Increase/(Decrease)	
	2010	2009	\$	%
Revenue				
Brokerage services	\$ 14,291,411	\$ 11,845,382	\$ 2,446,029	21 %
Insurance services (1)	145,226	527,293	(382,064)	(72 %)
Mortgage services	-	27,513	-	-
Total revenue	\$ 14,436,637	\$ 12,400,188	\$ 2,036,449	16 %

(1) RFIS was sold on September 30, 2010, therefore the period presented for 2010 is for the nine-months ended September 30, 2010.

Brokerage Services: NCS represents our cornerstone of services and contributed approximately 99% of our total revenue for 2010. Revenue for 2010 increased 21% over 2009, primarily as a result of NCS' continued focus on alternative investment products and recruitment of additional registered representatives.

Insurance Services: We disposed of RFIS on September 30, 2010, primarily as a result of its decreased revenues (approximately 72% for 2010) and decline in operations. During 2010, RFIS reduced the amount of commercial trucking policies written and sold its commercial trucking business.

Mortgage Services: The continued economic conditions of the real estate market limited RREM's ability to generate revenue on the sales of residential real estate and other services in 2010 and as a result of its inactivity, RREM was dissolved in June of 2010.

Selling and Administrative Expenses:

	Years Ended December 31,		Increase/(Decrease)	
	2010	2009	\$	%
Commissions and other direct costs	\$ 11,889,300	\$ 9,520,289	\$ 2,369,011	25 %
Consulting	379,958	293,115	86,843	30 %
Professional fees	861,044	877,422	(16,378)	(2 %)
Executive compensation	546,531	856,663	(310,132)	(36 %)
General expenses	1,485,823	1,258,020	227,803	18 %

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

Depreciation	42,044	51,468	(9,424)	(18 %)
Operating expenses	\$ 15,204,700	\$ 12,856,977	\$ 3,201,003	18 %

Table of Contents

Operating expenses increased 18% in 2010 over the previous year ended December 31, 2009. This increase was anticipated as we incurred significant additional expenses for consulting, and commissions and other direct costs. However, we reduced executive compensation by 36% and increased general expenses in proportion with our increase in revenues.

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

Expenses by Segment

NCS:

	Years Ended December 31,		Increase/(Decrease)	
	2010	2009	\$	%
Brokerage services				
Direct costs	\$ 11,850,847	\$ 9,356,359	\$ 2,494,488	27 %
Consulting	211,353	210,593	760	-
Professional fees	455,168	423,650	31,518	7 %
Executive compensation	306,000	212,615	93,385	44 %
General expenses	1,233,270	937,312	295,958	32 %
Depreciation	17,118	15,851	1,267	8 %
Operating expenses	\$ 14,073,756	\$ 11,156,380	\$ 2,917,376	26 %

NCS' total operating expenses increased 26% for the year ended December 31, 2010 over 2009. During 2010 we focused our operational efforts on NCS, as evidenced by the sale of RFIS and dissolution of RREM. As a result we increased salaries paid to our administrative staff and executives to levels commensurate with our industry. In addition, general expenses were increased in 2010 as a result of restructuring NCS to position the company for increased growth in the number of registered representatives, compliance, trading and operations personnel to accommodate growth of the firm. The infrastructure costs should increase slightly during 2011 but be offset by increased revenues as additional registered representative production in this year adds to the bottom line for NCS.

RFIS:

	Years Ended December 31,		Increase/(Decrease)	
	2010(1)	2009	\$	%
Insurance services				
Direct costs	\$ 38,453	\$ 141,984	\$ (103,531)	(73 %)
Consulting	16,105	847	(15,258)	-
Professional fees	-	5,396	-	-

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

Executive compensation	34,531	55,000	(20,469)	(37 %)
General expenses	95,048	269,267	(174,219)	(65 %)
Depreciation	494	658	(164)	(25 %)
Operating expenses	\$ 184,631	\$ 473,152	\$ (288,521)	(61 %)

(1) RFIS was sold on September 30, 2010, therefore the period presented is for the nine-months ended September 30, 2010.

Table of Contents

RFIS experienced a 61% reduction in operating expenses for 2010 over 2009. Prior to the sale of RFIS in September of 2010, efforts were made to reduce staffing and maximize revenues. While some of the objectives were accomplished, ultimately RFIS' future prospects were deemed to be incompatible with our overall business goals, which lead to the decision to dispose of this subsidiary.

RREM:

	Years Ended December 31,		Increase/(Decrease)	
	2010	2009	\$	%
Mortgage services				
Direct costs	\$ -	\$ 21,946	\$ -	-
Consulting	-	-	-	-
Professional fees	-	-	-	-
Executive compensation	-	-	-	-
General expenses	5,992	1,069	4,923	461 %
Depreciation	-	934	-	-
Operating expenses	\$ 5,992	\$ 23,949	\$ (17,957)	(75 %)

During 2010 RREM was effectively dormant, generating only \$5,992 in general and administrative expenses. RREM was dissolved in June of 2010.

Other income and (expense)

	Years Ended December 31,		Increase/(Decrease)	
	2010	2009	\$	%
Consolidated Interest (expense)	\$ (25,829)	\$ (28,617)	\$ (2,788)	(10 %)
Interest income	18,126	17,500	626	4 %
Other income (expense)	64,204	-	-	-
Loss on disposal of assets	(22,116)	-	-	-
Realized losses on investments	(1,151,915)	-	-	-
Gain on disposition of subsidiary	156,554	-	-	-

Unrealized (loss) on securities	(266,453)	(202,763)	63,690	31	%
---------------------------------------	------------	------------	--------	----	---

Table of Contents

Other income and expense consists of interest earned and expenses, rental income from sub-lease of facilities and our minority interest investments. We experienced a 4% increase in interest income as a direct result of our increase of cash resources held in interest bearing money market accounts. Interest expense relates to the use of corporate credit cards incurred during ordinary course of business. We expect this amount to remain unchanged throughout fiscal 2011. Trading prices in securities we hold for resale fluctuate and we had an increase in unrealized loss of 31% for 2010 over 2009.

Satisfaction of our cash obligations for the next 12 months.

Historically, our plan of operation has been stalled by a lack of adequate working capital. During 2009, we raised \$142,000 through a combination of notes payable and a working line of credit. Further, in February of 2010, we borrowed an additional \$100,000 pursuant to a one-year convertible promissory note. As of December 31, 2010 we had available cash of \$1,048,729. We believe these funds will help support existing operational costs, but will be sufficient to satisfy our working capital requirements through fiscal 2011. Consequently, in addition to cash generated from operations, we may need to raise additional funds through either equity, including convertible securities such as preferred stock or debentures, or debt financing.

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

We do not anticipate performing any additional significant product research and development under our plan of operation 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 two executives and fifteen administrative staff within NCS.

Table of Contents

Liquidity and Capital Resources

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

The following table summarizes our current assets, liabilities and working capital at December 31, 2010 compared to December 31, 2009.

			Increase / (Decrease)		
	December 31,	December 31,			
	2010	2009	\$	%	
Current Assets	\$ 2,702,196	\$ 2,510,357	\$ 191,839	8	%
Current Liabilities	2,970,341	2,311,106	659,235	29	%
Working Capital	\$ (268,145)	\$ 199,251	\$ (467,396)	(235	%)

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

We believe the \$1,048,729 in un-restricted cash on hand at December 31, 2010 will be sufficient to sustain operations through fiscal 2011. 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. Along these lines, in February of 2010, we borrowed \$100,000 pursuant to a one-year convertible promissory note. This note was repaid in March of 2011.

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

Off-Balance Sheet Arrangements

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

Table of Contents

Going Concern

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

Critical Accounting Policies and Estimates

Revenue Recognition: We recognize revenue in accordance with ASC subtopic 605-10 (formerly SEC Staff Accounting Bulletin No. 104 and 13A, "Revenue Recognition") net of expected cancellations and allowances. As of December 31, 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

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

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

Table of Contents

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

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

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

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

Table of Contents

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

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

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

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

Not applicable.

Table of Contents

Item 8. Financial Statements and Supplementary Data.

Management Responsibility for Financial Information

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

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

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

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

Index to Financial Statements

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	F-1
<u>Consolidated Balance Sheets at December 31, 2010 and 2009</u>	F-2
<u>Consolidated Statements of Operations for the Years Ended December 31, 2010 and 2009</u>	F-3
<u>Statements of Stockholders' Equity for the Years Ended December 31, 2010 and 2009</u>	F-4
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2010 and 2009</u>	F-5
<u>Notes to Consolidated Financial Statements</u>	F-6

Table of Contents

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have audited the accompanying consolidated balance sheets of Rubicon Financial Incorporated and Subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. Rubicon Financial Incorporated's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Rubicon Financial Incorporated and Subsidiaries as of December 31, 2010 and 2009, and the results of its consolidated operations, stockholders' equity, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses and had negative cash flows from operations that raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 18 to the financial statements, the financial statements have been restated for the correction of an error in recognizing unrealized losses on marketable securities as other-than-temporary.

/s/ Weaver Martin & Samyn, LLC
Weaver Martin & Samyn, LLC
Kansas City, Missouri

March 31, 2011, except as to the restatement discussed in Note 18 to the financial statements which is as of March 6, 2012.

Table of ContentsRubicon Financial Incorporated
Consolidated Balance Sheets

	December 31,	
	2010	2009
Assets	RESTATED	
Current assets:		
Cash	\$ 1,048,729	\$ 746,885
Cash – restricted	311,775	311,670
Marketable securities	193,633	508,428
Accounts receivable	839,601	683,412
Prepaid expenses	158,194	123,402
Notes receivable	134,276	124,202
Interest receivable	15,988	12,358
Total current assets	2,702,196	2,510,357
Fixed assets, net of accumulated depreciation of \$223,329 and \$186,033, respectively	60,557	84,213
Other assets:		
Contract advances	54,838	154,445
Deposits	11,917	39,471
Intangible assets – customer list	2,403,671	2,439,671
Total other assets	2,470,426	2,633,587
Total assets	\$ 5,233,179	\$ 5,228,157
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 479,577	\$ 525,896
Accrued expenses	998,130	1,076,983
Investment obligation	487,000	487,000
Deferred revenue	191,193	74,014
Line of credit	-	100,000
Note payable – current portion	133,082	42,000
Note payable – related party	-	5,213
Contingent liabilities	681,359	347,500
Total current liabilities	2,970,341	2,311,106
Long term liabilities		
Note payable	42,320	-
Stockholders' equity		
Preferred stock, \$0.001 par value, 10,000,000 shares authorized, 62,500 shares issued and outstanding as of December 31, 2010 and 2009, respectively	63	63
Common stock, \$0.001 par value, 50,000,000 shares authorized, 14,048,023 and 14,098,023 shares issued and outstanding as of December 31, 2010 and December 31, 2009, respectively	14,047	14,097

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

Common stock owed but not issued, 1,000,000 shares and none as of December 31, 2010 and December 31, 2009, respectively	1,000	-
Additional paid in capital	18,259,444	18,113,350
Other comprehensive gain (loss)	70,838	(814,624)
Accumulated (deficit)	16,124,874	(14,395,835)
Total stockholders' equity	2,220,518	2,917,051
Total liabilities and stockholders' equity	\$ 5,233,179	\$ 5,228,157

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

F-2

Table of Contents

Rubicon Financial Incorporated
Consolidated Statements of Operations

	For the Years Ended December 31,	
	2010 RESTATED	2009
Revenue	\$ 14,436,637	\$ 12,400,188
Expenses:		
Commissions and other direct costs	11,889,300	9,520,289
Consulting	379,958	293,115
Professional fees	861,044	877,422
Executive compensation	546,531	856,663
General and administrative expenses	1,485,823	1,258,020
Depreciation	42,044	51,468
Total expenses	15,204,700	12,856,977
Net operating (loss)	(768,063)	(456,789)
Other income (expense):		
Interest expense	(25,829)	(28,671)
Interest income	18,126	17,500
Other income	64,204	-
Loss on disposal of assets	(22,116)	-
Realized losses on investments	(1,151,915)	-
Gain on disposition of subsidiary	156,554	-
Total other income (expense)	(960,976)	(11,171)
Net (loss)	\$ (1,729,039)	\$ (467,960)
Other comprehensive income (loss):		
Adjustment to record other than temporary losses	1,151,915	-
Unrealized loss on securities	(266,453)	(202,763)
Total other comprehensive income (loss)	885,462	(202,763)
Net comprehensive loss	\$ (843,577)	\$ (670,723)
Weighted average number of common shares outstanding – basic and fully diluted		
	14,085,283	12,715,475
Net (loss) per share – basic and fully diluted	\$ (0.12)	\$ (0.04)

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

Table of Contents

Rubicon Financial Incorporated
Statements of Changes in Stockholders' Equity

	Preferred Stock		Common Stock		Common Stock owed but not issued	Additional Paid-in Capital	Unamortized Compensation	Other Compre- hensive	Accumulated (Deficit)	Sto
	Shares	Amount	Shares	Amount						
Balance, December 31, 2008	62,500	\$63	11,976,773	\$11,977	\$498	\$17,971,575	\$(433,108)	\$(611,861)	\$(13,927,875)	\$3.
Shares issued that were previously authorized	-	-	500,000	498	(498)	-	-	-	-	-
Shares issued to satisfy accounts payable	-	-	155,000	150	-	11,754	-	-	-	1
Shares issued for services	-	-	1,471,250	1,472	-	110,021	-	-	-	1
Forgiveness of related party debt	-	-	-	-	-	20,000	-	-	-	20
Amortization of shares issued for services	-	-	-	-	-	-	433,108	-	-	4
Other comprehensive loss	-	-	-	-	-	-	-	(202,763)	-	(2
Net (loss) for the year ended December 31, 2009	-	-	-	-	-	-	-	-	(467,960)	(4
Balance, December 31, 2009	62,500	\$63	14,098,023	\$14,097	\$-	\$18,113,350	\$-	\$(814,624)	\$(14,395,835)	\$2.
Shares authorized for services	-	-	750,000	-	750	149,250	-	-	-	1
Shares authorized for Accounts payable	-	-	250,000	-	250	49,750	-	-	-	50

Shares cancelled for disposal of subsidiary	-	-	(50,000)	(50)	-	(52,906)	-	-	-	(5
Other comprehensive loss	-	-	-	-	-	-	-	885,462	-	8
Net (loss) for the year ended December 31, 2010	-	-	-	-	-	-	-	-	(1,729,039)	(1
Balance, December 31, 2010	62,500	\$63	15,048,023	\$14,047	\$1,000	\$18,259,444	\$-	\$70,838	\$(16,124,874)	\$2

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

Table of Contents

Rubicon Financial Incorporated
Consolidated Statements of Cash Flows

	For the Years Ended December 31,	
	2010	2009
Cash flows from operating activities	RESTATED	
Net (loss)	\$ (1,729,039)	\$ (467,960)
Adjustments to reconcile net (loss) to net cash (used) in operating activities:		
Depreciation expense	42,044	51,468
Shares and options issued for services	150,000	111,493
Amortization of equity based compensation	-	433,108
Loss on disposal of assets	22,116	-
Realized losses on investments	1,151,915	-
Gain on disposal of subsidiary	(156,554)	-
Changes in operating assets and liabilities:		
Accounts receivable	(149,608)	(201,889)
Prepaid expenses	(53,397)	(82,091)
Accrued interest receivable	(3,630)	(7,452)
Deposits and other assets	127,161	121,835
Accounts payable and accrued liabilities	621,036	802,383
Deferred revenue	191,193	(73,353)
Accrued interest payable – related party	-	713
Net cash (used) by operating activities	213,237	688,255
Cash flows from investing activities		
Payments received on notes receivable	8,963	-
Issuance of notes receivable	(19,037)	-
Purchase of fixed assets	(20,388)	(12,894)
Proceeds on disposal of assets	15,000	-
Proceeds on disposal of subsidiary	19,000	-
Proceeds from (purchase of) investments	48,342	(180,811)
Net cash (used) by investing activities	51,880	(193,705)
Cash flows from financing activities		
Payment on line of credit	(100,000)	100,000
Proceeds from note payable	200,000	42,000
Payments on note payable	(48,098)	-
Cash surrendered in disposal of subsidiary	(15,070)	-
Payments on capital lease	-	(12,223)
Contributed capital (forgiveness of related party debt)	-	20,000
Net cash provided by financing activities	36,832	149,777
Net (decrease) increase in cash	301,949	644,327
Cash – beginning	1,058,555	414,228
Cash – ending	\$ 1,360,504	\$ 1,058,555
Supplemental disclosures:		
Interest paid	\$ 22,199	\$ 21,066

Income taxes paid	\$ 800	\$ 800
Non-cash financing activities:		
Shares and options issued for services	\$ 150,000	\$ 111,493
Shares issued for accounts payable	\$ 50,000	\$ 11,904

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

Table of Contents

Rubicon Financial Incorporated
Notes to Consolidated Financial Statements

NOTE 1 – Significant Accounting Policies and Procedures

Organization

The Company was incorporated in the State of Delaware on April 28, 1986 (“Inception”) and was formerly known as Art World Industries (“AWI”). On August 6, 2002, the Company changed its name to ISSG, Inc. In addition, on March 9, 2004, the Company completed the acquisition of a wholly owned subsidiary, Dial-A-Cup Corporation (“DAC”), a New York Corporation. Further, on June 2, 2005, the Company completed a merger with Rub Investments Ltd., (“Rub”) on September 6, 2006; the Company changed its name to Rubicon Financial Incorporated. Effective February 1, 2007, the Company completed a merger with Rubicon Financial Insurance Services, Inc. a California corporation (“RFIS”), pursuant to an agreement and plan of merger. The agreement and plan of merger provided that ISSG Sub, Inc. our wholly owned subsidiary, merged with and into RFIS, with RFIS as the surviving corporation and new wholly-owned subsidiary of the Company. The Company issued 50,000 shares of its common stock in exchange for 100% of the outstanding shares of RFIS. On February 13, 2007, the Company formed a wholly owned subsidiary, Rubicon Securities, Inc., a Nevada corporation. Effective May 11, 2007, the Company acquired Rubicon Real Estate and Mortgages, Inc., a California corporation (“RREM”), pursuant to an agreement and plan of merger. The agreement and plan of merger provided that DeeSound, Inc. our wholly owned subsidiary, merged with and into RREM, with RREM as the surviving corporation and new wholly owned subsidiary of the Company. The Company issued 1,159,000 shares of its common stock in exchange for 100% of the outstanding shares of RREM. On June 2, 2008, the Company completed its acquisition of Newport Coast Securities, Inc. (“NCS”) (formerly Grant Bettingen, Inc.), a California corporation registered with the Financial Industry Regulatory Authority. Pursuant to an agreement and plan of merger, the Company issued 1,200,000 shares of its common stock and agreed to pay cash totaling \$974,000 in exchange for 100% of the outstanding shares of NCS. During the year ended December 31, 2010, the Company dissolved RREM and disposed of RFIS.

Principles of Consolidation

The financial statements include those of: Rubicon Financial Incorporated (“Rubicon”); and its wholly owned subsidiaries, Rubicon Financial Insurance Services, Inc. (“RFIS”), Rubicon Real Estate and Mortgages, Inc. (“RREM”), Newport Coast Securities, Inc. (“NCS”). During the year ended December 31, 2010, the Company dissolved RREM and disposed of RFIS. Neither RREM or RFIS have any assets as of December 31, 2010 and neither subsidiary has material activity on the income statement for the year ended December 31, 2010. All significant inter-company transactions and balances have been eliminated. RBCF and its subsidiaries are collectively referred to herein as the “Company”.

Use of Estimates

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

Table of Contents

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	3-5 years
Furniture	7 years

The Company reviews the carrying value of property, plant, and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there were no impairments needed as of December 31, 2010 or 2009.

Impairment of long-lived assets

The Company reviews its long-lived assets and intangibles periodically to determine potential impairment by comparing the carrying value of the long-lived assets with the estimated future cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future cash flows be less than the carrying value, the Company would recognize an impairment loss. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value of the long-lived assets and intangibles. The Company recognized no impairment losses during the years ended December 31, 2010 and 2009.

Table of Contents

Revenue Recognition

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

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

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

Advertising Costs

The Company expenses all costs of advertising as incurred. There was \$7,484 and \$1,799 of advertising costs included in general and administrative expenses for the years ended December 31, 2010 and 2009, respectively.

Available-for-sale securities

The Company classifies its marketable equity securities as available-for-sale and they are carried at fair market value, with the unrealized gains and losses included in the determination of comprehensive income and reported in stockholders' equity. See Note 5 for further details.

Income Taxes

The Company follows ASC subtopic 740-10 (formerly Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes") for recording the provision for income taxes. ASC 740-10 requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability each period. If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change.

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

Table of Contents

Fair Value of Financial Instruments

The Company has financial instruments whereby the fair value of the financial instruments could be different from that recorded on a historical basis in the accompanying balance sheets. The Company's financial instruments consist of cash, receivables, accounts payable, accrued liabilities, and notes payable. The carrying amounts of the Company's financial instruments approximate their fair values as of December 31, 2010 and 2009 due to their short-term nature. See Note 17 for further details.

Loss per Common Share

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

Credit Risks

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2009, the Company had approximately \$325,000 in excess of FDIC insured limits. At December 31, 2010, the Company had approximately \$654,000 in excess of FDIC insured limits.

Reclassifications

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

Recent Pronouncements

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

Table of Contents

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

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

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

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

Table of Contents

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

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

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

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

Year-end

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

Table of Contents

NOTE 2 – Going concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has an accumulated deficit of \$16,124,874 since inception and incurred net losses of \$1,729,039 and \$467,960 for the years ended December 31, 2010 and 2009. These conditions give rise to doubt about the Company's ability to continue as a going concern. These financial statements do not include adjustments relating to the recoverability and classification of reported asset amounts or the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to generate profitability, obtain additional financing, or obtain proceeds from the sale of its stock.

NOTE 3 – Restricted Cash

The Company's wholly owned subsidiary, NCS, has entered into securities clearing agreements with Penson Financial Services, Inc. ("Penson) and Wedbush, Morgan Securities, Inc. ("Wedbush"). Pursuant to these agreements, the Company is required to maintain a deposit account with each respective clearing firm in amounts determined based on the Company's transaction volume. As of December 31, 2009, the Company maintained deposits with Penson of \$250,405 and \$61,265, respectively, for total restricted cash of \$311,670. As of December 31, 2010, the Company maintained deposits with Penson of \$250,405 and \$61,370, respectively, for total restricted cash of \$311,775.

NOTE 4 – Intangible Assets – customer lists

During the year ended December 31, 2008, the Company consummated the acquisition of 100% of the outstanding common shares of NCS. As a result of the acquisition, Rubicon identified intangible assets in the NCS customer lists that were valued at \$2,403,671. This asset was evaluated for impairment as of December 31, 2010 and 2009 and management determined that no impairment was needed.

During the year ended December 31, 2008, RFIS purchased a customer list for \$36,000 in order to seek insurance business from the commercial trucking industry. This asset was evaluated for impairment as of December 31, 2009 and management determined that no impairment was needed. This list was sold for \$15,000 during the year ended December 31, 2010 resulting in a \$21,000 loss.

Total intangible assets as of December 31, 2010 and 2009 was \$2,403,671 and \$2,439,671, respectively.

NOTE 5 - Marketable securities

The Company classifies its marketable equity securities as available-for-sale and carries them at fair market value, with the unrealized gains and losses included in the determination of comprehensive income and reported in stockholders' equity. Losses that the Company believes are other-than-temporary are realized in the period that the determination is made. As of December 31, 2009, the Company believed that all unrealized losses are not other-than-temporary based on market conditions and the volatility of investments being held. During the fourth quarter of the year ended December 31, 2010, the Company made the determination that two of the investments had unrealized losses that were other-than-temporary and realized the losses. 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, 2009:

The Company held securities with an aggregate cost of \$1,323,052 and a fair market value, based on published prices, of \$508,428. The accumulated unrealized loss on these securities is \$814,624 as of December 31, 2009 and is shown as accumulated other comprehensive loss on these financial statements. The unrealized loss on securities during the year ended December 31, 2009 was \$202,763 and is shown as other comprehensive loss on these financial statements.

Table of Contents

As of December 31, 2010:

The Company held thirteen investments in publically-traded common stock in various corporations with an aggregate cost of \$122,795 (\$1,274,710 before recognition of other than temporary losses as noted below) and a fair market value, based on published market prices, of \$193,633. The accumulated unrealized gains on these securities is \$70,838 and is shown as accumulated other comprehensive gain on these financial statements as of December 31, 2010.

Of the above investments, there are eleven investments with an aggregate cost of \$610 and an aggregate fair market value of \$71,448. Of these investments, three were in loss positions for a total aggregate unrealized loss of \$2,803 and only one had been in a loss position for more than twelve months. The investment that had been in a loss position for more than twelve months has a cost of \$1,275 and a fair market value of \$313 and \$187 as of December 31, 2010 and 2009, respectively.

An investment in the publically-traded common stock of Clean Coal Technologies, Inc. had a cost of \$300,000 and a fair market value of \$423 as of December 31, 2010. This investment has been in a loss position for over twelve months. During the 4th quarter ended December 31, 2010, the Company made the determination that this unrealized loss was other-than-temporary and should be realized. A total of \$299,577 was adjusted from unrealized to realized and the amount was moved from the other accumulated comprehensive loss on the balance sheet to the realized loss on investments on the statement of operations.

An investment in the publically-traded common stock of American International Industries, Inc. had a cost of \$974,100. This investment has been in a loss position for over twelve months. During the fourth quarter ended December 31, 2010, the Company made the determination that this unrealized loss was other-than-temporary and should be realized. A total of \$852,338 was adjusted from unrealized to realized and the amount was moved from the other accumulated comprehensive loss on the balance sheet to the realized loss on investments on the statement of operations.

In total, during the fourth quarter ended December 31, 2010, \$1,151,915 was adjusted from unrealized to realized and the amount was moved from the other accumulated comprehensive loss on the balance sheet to the realized loss on investments on the statement of operations.

NOTE 6 – Notes receivable

On April 18, 2008, Rubicon amended its \$20,000 note receivable with its RREM subsidiary, whereby Joel Newman, the former President of RREM accepted full liability for the principal balance of \$20,000. The amended terms require interest to accrue at a rate of 6% per annum and matured on April 18, 2009. In addition, Mr. Newman owes \$5,000 in the form of a demand note, which accrues interest at a rate of 6% per annum. On March 18, 2008, Rubicon received the initial payment of \$898 representing principal in the amount of \$798 and interest of \$100. The combined outstanding principal balance as of December 31, 2009 was \$24,202. Accrued interest earned on this note was \$2,858 as of December 31, 2009. During the year ended December 31, 2010, the Company and Mr. Newman reached an agreement consolidating the outstanding principal balance and accrued interest balance into a new note in the amount of \$27,739. The note bears interest of 6% and was due on December 31, 2010. As of December 31, 2010 the note balance was \$15,239 and the balance of accrued interest was \$488.

On June 3, 2008, Rubicon was issued a note receivable in the amount of \$100,000 from Marc Riviello pursuant to the “Stock Repurchase and Settlement Agreement”. The note accrues interest at a rate of 6% per annum and was due June 1, 2009. The loan was not repaid and subsequently the Company took legal action against Mr. Riviello and won an initial settlement claim in excess of \$100,000. As of December 31, 2010, the Company, has not been able to collect on the principal balance and the balance remains \$100,000. Accrued interest earned on this note was \$9,500 as of December 31, 2009 and \$15,500 as of December 31, 2010. The Company has initiated collection procedures and

management feels very comfortable that the full amount will be collected.

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, 2010 was \$19,037.

NOTE 7 – Accounts Receivable

Amounts receivable from clearing organizations and others at December 31, 2010 consisted of the following:

Penson Financial Services	\$ 603,979
Others	488
Wedbush Morgan Securities	235,134
	\$ 839,601

Table of Contents

NOTE 8 – Related Party Transactions

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

In February of 2009, Rubicon entered into a short-term consulting agreement with Bootstrap Real Estate Investments, LLC, a company controlled by a former director/officer. Pursuant to the agreement, the Company authorized the issuance of 120,000 shares of restricted common stock for services valued at \$30,000, or \$0.25 per share. These shares were issued in November of 2009.

In July of 2009, the Company issued 2,500 shares of its restricted common stock to each of the three members of its Board of Director's (7,500 shares in total) for their services. The fair value of the shares issued was \$1,050, or \$0.14 per share, and was expensed as of December 31, 2009.

In May of 2010, the Company authorized 750,000 shares of its restricted common stock to an employee and two officers for their services. The fair value of the shares issued was \$150,000, or \$0.20 per share, and was expensed as of December 31, 2010. As of December 31, 2010, the shares have not been issued yet and are shown as common stock owed but not issued.

As of December 31, 2010 and 2009, the Company owed accrued payroll to one of its officers/directors in the amount of \$13,500.

During the year ended December 31, 2010, the Company sold its RFIS subsidiary to an officer of the company in return for 50,000 shares of the company's common stock held by the officer. The common stock was valued at \$19,000 using the market value as of the date of the transaction and cancelled upon receipt. A gain on the disposition of \$156,554 was recorded in the year ended December 31, 2010.

NOTE 9 – Fixed Assets

Fixed assets consisted of the following:

	December 31,	
	2010	2009
Furniture	\$ 50,443	\$ 37,450
Equipment	197,464	201,798
Software	35,979	30,998
	283,886	270,246
Accumulated depreciation	(223,329)	(186,033)
	\$ 60,557	\$ 84,213

During the years ended December 31, 2010 and 2009, depreciation expense was \$42,044 and \$51,468, respectively.

Table of Contents

NOTE 10 – Notes payable

Notes payable consist of the following at December 31, 2010 and 2009:

	December 31,	
	2010	2009
Demand note payable to an officer and shareholder for \$4,500, unsecured and due on demand	\$-	\$5,213
Line of credit, \$100,000 limit bearing 2.75%, maturing on March 25, 2010, secured by cash held in impound account at the bank	-	100,000
Promissory note to an unrelated party for \$30,000, secured by 100,000 shares of common stock, due January 31, 2010, bearing interest of 69%	-	30,000
Demand note payable to an unrelated party for \$12,000, unsecured and due on demand	-	12,000
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, 2010, and matures in March of 2013.	75,402	-
Promissory note to an unrelated party for \$100,000, unsecured, interest of 10%, due on January 31, 2011. The Company is currently in discussions for an extension on this note.	100,000	-
	\$175,402	\$147,213

As of December 31, 2009 all notes payable are short-term. As of December 31, 2010, \$133,082 of the notes payable is short-term and \$42,320 is long-term.

Interest expense for the year ended December 31, 2010 and 2009 was \$25,829 and \$28,671 respectively. Interest payable to a related party, included above, is \$0 and \$713 as of December 31, 2010 and 2009, respectively.

NOTE 11 – Income taxes

The Company follows ASC subtopic 740-10 (formerly Statement of Financial Accounting Standard No. 109, “Accounting for Income Taxes”) for recording the provision for income taxes. ASC 740-10 requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability each period. If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change.

Table of Contents

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

The Company's effective income tax rate is higher than would be expected if the federal statutory rate were applied to income before tax, primarily because of expenses deductible for financial reporting purposes that are not deductible for tax purposes during the year ended December 31, 2010 and 2009.

The Company's operations for the year ended December 31, 2010 and 2009 resulted in losses, thus no income taxes have been reflected in the accompanying statements of operations.

As of December 31, 2010 and 2009, the Company has net operating loss carry-forwards which may or may not be used to reduce future income taxes payable. Current Federal Tax Law limits the amount of loss available to offset against future taxable income when a substantial change in ownership occurs. Therefore, the amount available to offset future taxable income may be limited. A valuation allowance has been recorded to reduce the net benefit recorded in the financial statements related to this deferred asset. The valuation allowance is deemed necessary as a result of the uncertainty associated with the ultimate realization of these deferred tax assets.

The provision for income taxes consists of the following:

	As of December 31,	
	2010	2009
Benefits of deferred tax assets	\$ 286,817	\$ 228,046
Change in valuation allowance	(286,817)	(228,046)
Provision for income tax	\$ -	\$ -

Table of Contents

Below is a summary of deferred tax asset calculations as of December 31, 2010 based on a 34% income tax rate. Currently there is no reasonable assurance that the Company will be able to take advantage of a deferred tax asset. Thus, an offsetting allowance has been established for the deferred asset.

	Deferred tax	
	asset	34%
Net operating loss	\$ 11,008,409	\$3,742,859
Unrealized losses	1,081,077	367,566
		4,110,425
Valuation allowance		(4,110,425)
Deferred tax asset		\$-

Below is a summary of deferred tax asset calculations as of December 31, 2009 based on a 34% income tax rate. Currently there is no reasonable assurance that the Company will be able to take advantage of a deferred tax asset. Thus, an offsetting allowance has been established for the deferred asset.

	Deferred tax	
	asset	34%
Net operating loss	\$ 10,431,282	\$3,546,636
Unrealized losses	814,624	276,972
		3,823,608
Valuation allowance		(3,823,608)
Deferred tax asset		\$-

For financial reporting purposes, the Company has incurred a loss since inception to December 31, 2010. Based on the available objective evidence, including the Company's history of its loss, management believes it is more likely than not that the net deferred tax assets will not be fully realizable. Accordingly, the Company provided for a full valuation allowance against its net deferred tax assets at December 31, 2010. Further, management does not believe it has taken the position in the deductibility of its expenses that creates a more likely than not potential for future liability under the guidance of FIN 48.

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

	Year ended December 31,			
	2010		2009	
Federal and state statutory rate	34	%	34	%
Change in valuation allowance	(34	%)	(34	%)
	-		-	

Table of Contents

NOTE 12 – Stockholders' equity

Common stock

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

Preferred Stock

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

8% Series A Convertible Preferred Stock

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

As of December 31, 2008, there were 62,500 preferred shares and 11,976,773 common shares issued and outstanding. There were also 500,000 common shares owed but not issued.

2009

On August 21, 2009, the Company issued 500,000 shares of common stock that were owed but not issued as of December 31, 2008.

On February 5, 2009, the Company entered into a short-term consulting agreement with Bootstrap Real Estate Investments, LLC, a company controlled by a former director. Pursuant to the agreement, the Company authorized the issuance of 120,000 shares of restricted common stock for services valued at \$30,000, or \$0.25 per share. The Company recorded an expense to executive compensation of \$30,000. These shares were issued in November of 2009.

On July 15, 2009, the Company authorized the issuance of 2,500 shares of its common stock to each of its three directors (7,500 total) as consideration for their services. The stock was valued at \$1,050 and expensed.

In August of 2009, the Company issued 150,000 shares of its common stock in satisfaction of \$11,904 of accounts payable from previous years.

On August 21, 2009, the Company awarded a total of 1,343,750 shares of its restricted common stock to twenty-three employees for bonuses. The stock was valued at \$80,625 based on the market price of \$0.06 on the day of the grant. The shares were awarded pursuant to the Rubicon Financial Incorporated 2007 Acquisition Stock Plan.

As of December 31, 2009, there were 62,500 preferred shares and 14,098,023 common shares issued and outstanding. There were no shares owed but not issued.

Table of Contents

2010

In May of 2010, the Company authorized 750,000 shares of its restricted common stock to an employee and two officers for their services. The fair value of the shares issued was \$150,000, or \$0.20 per share, and was expensed as of December 31, 2010. As of December 31, 2010, the shares have not been issued yet and are shown as common stock owed but not issued.

In May of 2010, the Company authorized 250,000 shares of its common stock in satisfaction of \$50,000 of accounts payable from previous years. As of December 31, 2010, the shares have not been issued yet and are shown as common stock owed but not issued.

In September of 2010, the Company sold its RFIS subsidiary to an officer of the company in return for 50,000 shares of the company's common stock held by the officer. The shares were cancelled. See note 8 for further details.

As of December 31, 2010, there were 62,500 preferred shares and 14,048,023 common shares issued and outstanding. There were 1,000,000 shares owed but not issued.

NOTE 13 – Warrants and options

Warrants

On August 24, 2006, the Company issued 100,000 Common Stock Purchase Warrants to an individual in conjunction with equity financing. The 100,000 Common Stock Purchase Warrants gave the holder the right to purchase 100,000 shares of common stock of the Company for \$3.00 a share. The aggregate fair value of such warrants totaled \$192,628 based on the Black-Scholes pricing model using the following estimates: 5% risk free rate, 100% volatility and expected life of the warrants of 3 years. These warrants expired in August of 2009.

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

As of December 31, 2010, there are no outstanding warrants.

Options

On January 1, 2007, the Company granted options to purchase up to 500,000 shares of its common stock pursuant to its employment agreement with the chief executive officer. The holder has the right to purchase up to 500,000 shares of common stock of the Company for an aggregate purchase price of \$500,000 or \$1 per share. The aggregate fair value of the option grant totaled \$1,299,325. As of December 31, 2009, \$433,108 was expensed as executive compensation and nothing remained in unamortized shares issued for services. Fair value of the option is based on the Black-Scholes pricing model using the following estimated assumptions: 4.70% risk free rate, 295% volatility, and an expected life of the option of 5 years.

Table of Contents

On February 1, 2007, the Company granted options to purchase up to 300,000 shares of its common stock pursuant to its employment agreement between RFIS, its wholly owned subsidiary, and its executive. The options vest at the rate of one option for every \$0.50 of net income generated by RFIS at the end of each fiscal year, based upon the RFIS's audited financial statements. As of December 31, 2010 and 2009, no options had been earned. In September of 2010, RFIS was disposed of (See note 8 for further details), therefore the granted options will never vest and have therefore been cancelled.

On December 26, 2007, the Company granted options to purchase up to 500,000 shares of its common stock to its principal financial officer as a bonus for services performed during the year ended December 31, 2008. The holder had the right to purchased up to 500,000 shares of common stock of the Company for \$2.50 per share. The aggregate fair value of the option grant totaled \$1,499,990 and was expensed as executive compensation. Fair value of the option is based on the Black-Scholes pricing model using the following estimated assumptions: 3.72% risk free rate, 399% volatility, and an expected life of the option of 5 years. These options were cancelled during the year ended December 31, 2009.

On June 2, 2008, Rubicon granted Mr. Grant Bettingen an option to purchase 500,000 shares of its common stock with an exercise price of \$1.00 pursuant to his employment agreement with NCS. The fair market value of the options based on the Black-Scholes model is \$699,764 using the following assumptions: Strike Price \$1; Stock Price \$1.40; Volatility 315%; Term 5 years; Dividend Yield 0%; Interest Rate 3.25%. The Company recorded executive compensation in the amount of \$699,764.

A summary of stock options and warrants as of December 31, 2010 and 2009 is as follows:

	Options	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding as of 01/01/09:	1,800,000	\$ 1.66	100,000	\$3.00
Granted	-	-	10,000	.30
Cancelled	(500,000)	2.50	-	-
Exercised	-	-	(100,000)	3.00
Outstanding as of 01/01/10:	1,300,000	\$ 1.33	10,000	\$.30
Granted	-	-	-	-
Cancelled	(300,000)	2.45	-	-
Expired	-	-	(10,000)	.30
Outstanding as of 12/31/10:	1,000,000	\$ 1.00	-	\$0.00
Vested as of 12/31/10:	1,000,000	\$ 1.00	-	\$0.00

Table of Contents

NOTE 14 – Operating Segments

Rubicon’s operating segments are evidence of its internal organization. The major segments are defined by the type of financial services offered. Each segment operates in a distinct industry: brokerage services (NCS), mortgage and real estate services (RREM) and personal and commercial insurance services (RREM). Where applicable, “Corporate” represents items necessary to reconcile to the consolidated financial statements, which generally include corporate activity at the parent level and eliminations.

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

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

	The Years Ended December 31,	
	2010	2009
Revenue		
Insurance services	\$ 145,226	\$ 527,293
Mortgage services	-	27,513
Brokerage services	14,291,411	11,845,382
	14,436,637	12,400,188
Expenses		
Insurance services	184,631	473,152
Mortgage services	5,992	24,630
Brokerage services	14,073,756	11,156,380
Corporate	749,382	1,213,986
	15,013,761	12,868,148
Net loss	\$ (577,124)	\$ (467,960)

Table of Contents

NOTE 15 – Commitments and Contingencies

Employment agreements

On June 2, 2008, NCS entered into an employment agreement with Grant Bettingen, the former principal and founding shareholder of NCS. Pursuant to the agreement, Mr. Bettingen was to receive annual compensation in the amount of \$120,000, subject to 10% annual increases, for a period of five (5) years. In addition, Mr. Bettingen was to receive quarterly incentive compensation equal to 5% of all net investment banking income and 10% incentive bonus on net investment income referred directly by Mr. Bettingen. As an inducement to enter into the agreement, Rubicon granted Mr. Bettingen an option to purchase up to 500,000 shares of its common stock as a signing bonus. The options are fully vested and valued at \$699,764 (see note 13 for further details). Rubicon further agreed to provide a monthly auto allowance in the amount of \$1,000 and a life insurance policy with death benefit of \$1,000,000. During the year ended December 31, 2009, Mr. Bettingen was terminated and the employment agreement was terminated.

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, 2010 for this matter, which is included in accrued investment obligation on its Consolidated Balance Sheet.

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 \$681,359 as of December 31, 2010 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.

Table of Contents

Office lease agreements

As of December 31, 2009, the Company leased office space under a long-term lease agreement expiring in January of 2010. The amount due for January 2010 was \$8,690. During January 2010, the Company moved its offices to another location as noted below.

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

Year Ending	December 31,	Amount
	2011	\$ 188,820
	2012	193,016
	2013	199,310
	2014	205,604
	2015	104,900
	Total	\$ 891,650

Rent expense is included in general and administrative expense and totaled \$138,069 and \$246,869 for the years ended December 31, 2010 and 2009, respectively.

NOTE 16 – Net capital requirement

The Company's wholly owned subsidiary, NCS, is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital equal to the greater of \$100,000 or 6 2/3% of aggregate debt balances, as defined in the SEC's Reserve Requirement Rule (Rule 15c3-3). At December 31, 2010, NCS had net capital of \$722,519 and was \$622,519 in excess of its required net capital of \$100,000.

NOTE 17 - Fair Value Measurements

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

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

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

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

The Company has no level 3 assets or liabilities.

Table of Contents

The following table presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis as of December 31, 2010:

	Level 1	Level 2	Level 3	Fair Value
Cash	\$1,360,504	\$-	-	\$1,360,504
Accounts receivable	-	839,601	-	839,601
Marketable securities	193,633	-	-	193,633
Notes and interest receivable	-	150,264	-	150,264
Accounts payable	-	479,577	-	479,577
Accrued expenses	-	1,679,489	-	1,679,489
Notes payable	-	175,402	-	175,402

The following table presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis as of December 31, 2009:

	Level 1	Level 2	Level 3	Fair Value
Cash	\$1,058,555	\$-	-	\$1,058,555
Accounts receivable	-	683,412	-	683,412
Marketable securities	508,428	-	-	508,428
Notes and interest receivable	-	136,560	-	136,560
Accounts payable	-	525,896	-	525,896
Accrued expenses	-	1,076,983	-	1,076,983
Notes payable	-	147,213	-	147,213

Table of Contents

NOTE 18 – Restatement of Financial Statements

The Company concluded that the consolidated financial statements for the year ended December 31, 2010 and the quarters ended March 31, 2011, June 30, 2011, and September 30, 2011 should be restated because it failed to recognize some of the unrealized losses on marketable securities to be other than temporary as of December 31, 2010. Originally, the marketable securities in question were recorded on the balance sheet at market value and the unrealized losses associated with the securities were recorded as other comprehensive losses in the stockholders' equity section as temporary changes in market value. The changes in the unrealized losses during the period were also recorded in other comprehensive losses on the statement of operations. This restatement deems some of the losses as other than temporary and moves \$1,151,915 from unrealized to realized in the statement of operations. The marketable securities are still recorded at fair market value on the balance sheet. See Note 5 for further details.

The following tables set forth the effects of the restatement on certain line items within our consolidated balance sheet as of December 31, 2010 and our consolidated statement of operations for the year ended December 31, 2010:

Consolidated Balance Sheet	As of December 31, 2010	
	As Restated	As Previously Filed
Stockholder's Equity section of the balance sheet:		
Other comprehensive loss	\$ 70,838	\$ (1,081,077)
Retained Earnings	(16,124,874)	(14,972,959)
TOTAL SHAREHOLDERS' EQUITY	2,220,518	2,220,518

Consolidated Statement of Operations	For the Year Ended December 31, 2010	
	As Restated	As Previously Filed
Net operating income (loss)	\$ (768,063)	\$ (768,063)
Realized loss on investments	(1,151,915)	-
Total other income (expense)	(960,976)	190,939
Net loss	(1,729,039)	(577,124)
Total other comprehensive income(loss)	885,462	(266,453)
Net Comprehensive income (loss)	(843,577)	(843,577)
Net income (loss) per share – basic and diluted	\$ (0.12)	(0.04)

NOTE 19 – Subsequent Events

The Company has evaluated all subsequent events through March 31, 2011, the date the financial statements were issued, and determined that there are no subsequent events to record and the following subsequent events to disclose:

In January of 2011, the Company cancelled 150,000 shares of its common stock previously authorized for issuance as a result of a settlement agreement with a former officer of a subsidiary.

In March of 2011, the Company issued 850,000 shares of its common stock previously authorized.

In March of 2011, the Company repaid a promissory note to an unrelated party for \$100,000, through the advancement of an existing line of credit.

F-25

Table of Contents

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

None.

Item 9A(T). 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 not effective in timely altering him to material information relating to us (including our consolidated subsidiaries) required to be included in our periodic SEC filings. We were unable to accurately account for other-than-temporary impairments related to our marketable securities, which caused us to restate our financial statements for the year ended December 31, 2010. Management evaluated the impact of our inability to accurately account for other-than-temporary impairments on our assessment of our disclosure controls and procedures and has concluded that the control deficiency that resulted in the inability to accurately account for other-than-temporary impairments represented a material weakness.

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

Management's Report on Internal Control over Financial Reporting

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

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in Internal Control — Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was not effective as of December 31, 2010 because of our inability to account for other-than-temporary impairments related to our marketable securities.

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

Item 9B. Other Information.

None.

Table of Contents

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

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

Name	Age	Title(s)
Joseph Mangiapane, Jr.	45	Chief Executive Officer, President, Principal Financial Officer and Chairman
Kathleen McPherson	53	Director and Chief Executive Officer of NCS
Todd Torneo(1)	43	Former Director and Former President of RFIS

- (1) Effective September 30, 2010, Todd Torneo resigned as a director concurrent with our sale of RFIS to Mr. Torneo.

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

Kathleen McPherson has been a consultant for us since September 11, 2007 and NCS, providing services in the area of corporate structure, marketing, strategic alliances, and other matters relating to our management and growth. In November of 2009, Ms. McPherson became the chief executive officer of NCS. Ms. McPherson has 33 years experience in the securities industry and has been involved in the start-up of a broker-dealer in 1991 (Brookstreet Securities Corporation), and formed a Registered Investment Advisor in 1993, growing the firm from 15 to over 650 account executives with over \$120,000,000 in annual revenues. At this same company, the Alternative Investment area under Ms. McPherson's direction grew to approximately \$300,000,000 in gross annual sales over a six year period. Ms. McPherson left Brookstreet in June of 2007. Ms. McPherson also has investment banking experience in the formation, marketing and distribution of securities offerings through both public and private placements since 1978. From 1984 to 1990, she was the sole principal responsible for operating the Syndication Division and Broker-Dealer arm of Keystone Mortgage Company in Los Angeles, California, which structured public and private placement real estate investments distributed through the broker-dealer channel. Ms. McPherson graduated from San Diego State University in 1979 with a B.S. in Business and holds ten separate securities and principal licenses.

Table of Contents

Limitation of Liability of Directors

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

Election of Directors and Officers

Directors are elected to serve until the next annual meeting of shareholders and until their successors have been elected and qualified. Officers are appointed to serve until the meeting of the board of directors following the next annual meeting of shareholders and until their successors have been elected and qualified.

Involvement in Certain Legal Proceedings

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

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

On April 16, 2009 the United States Attorney for the District of Delaware filed indictments against seven individuals, including Joseph Mangiapane, Jr., our chief executive officer, principal financial officer, president, secretary and treasurer, alleging various unlawful acts. Mr. Mangiapane, who was a registered representative with AIS Financial, Inc., a registered broker/dealer, at all times relevant to the allegations (August 2006 to February 2007), was served with his indictment on May 20, 2009. The indictment against Mr. Mangiapane was dismissed on March 23, 2011.

Table of Contents

In addition, on May 20, 2009, the SEC filed a civil complaint against the same seven individuals, and one additional individual, alleging violations of the antifraud, registration, and other provisions of the federal securities laws. The SEC's civil complaint is still ongoing.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires our executive officers and directors, and persons who beneficially own more than ten percent of our common stock, to file initial reports of ownership and reports of changes in ownership with the SEC. Executive officers, directors and greater than ten percent beneficial owners are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. All reports required by Section 16(a) were filed in connection with the securities issuances to our officers and directors during fiscal 2010.

Board of Directors

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

Audit Committee

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

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

Code of Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees, as well as to directors, officers and employees of each subsidiary of Rubicon. Our Code of Ethics was attached to our 2008 Form 10-K as Exhibit 99.1. A copy of our Code of Business Conduct and Ethics will be provided to any person, without charge, upon request. Contact Joseph Mangiapane, Jr. at 949-798-7220 to request a copy of the Code or send your request to Rubicon Financial Incorporated, Attn: Joseph Mangiapane, Jr., 18872 MacArthur Blvd., First Floor, Irvine, California 92612. If any substantive amendments are made to the Code of Business Conduct and Ethics or if we grant any waiver, including any implicit waiver, from a provision of the Code to any of our officers and directors, we will disclose the nature of such amendment or waiver in a report on Form 8-K.

Table of Contents

Nominating Committee

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

Item 11. Executive Compensation.

The following table sets forth summary compensation information for the years ended December 31, 2010 and 2009 for our chief executive officer and other executive officers, whom we refer to throughout this report as our named executive officers, whose total compensation exceeded \$100,000.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Option Awards (\$)	Restricted Stock Awards (\$)	All Other Compensation (\$)	Total (\$)
Joseph Mangiapane, Jr.	2010	\$ 209,000	\$ --	\$ --	\$ --	\$ --	\$ 209,000
Chief Executive Officer/President	2009	\$ 108,000	\$ --	\$ 433,108 (1)	\$ --	\$ 12,000 (2)	\$ 553,108
Principal Financial Officer							

(1) On January 1, 2007, Rubicon granted options to purchase up to 500,000 shares of its common stock at \$1.00 per share for five years to Mr. Mangiapane pursuant to his employment agreement. The aggregate fair value of the option grant totaled \$1,299,325, which represents the estimated total fair market value of stock options granted to Mr. Mangiapane, as discussed in Note 13 to the audited financial statements included in this report. As of December 31, 2009, \$433,108 was expensed as executive compensation.

(2) Represents Mr. Mangiapane's prior \$1,000 per month automobile allowance paid in accordance with his employment agreement.

Grants of Plan-Based Awards in Fiscal 2010

We did not grant any plan-based awards to our named executive officers during the fiscal year ended December 31, 2010.

Outstanding Equity Awards at 2010 Fiscal Year-End

The following table lists the outstanding equity incentive awards held by our named executive officers as of December 31, 2010.

	Option Awards	
	Number of Securities	Number of Securities Underlying Unexercised

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

	Underlying Unexercised Options Exercisable	Options Unexercisable	Option Exercise Price	Option Expiration Date
Joseph Mangiapane, Jr.	500,000	-	\$1.00	12/31/11

48

Table of Contents

Option Exercises for 2010

There were no options exercised by our named executive officers in fiscal 2010.

Executive Employment Agreements

Joseph Mangiapane, Jr.:

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

- Rubicon has agreed to pay Mr. Mangiapane a current base salary of \$15,000 per month with yearly adjustments being determined by specified criteria and our board of directors.
- Mr. Mangiapane is entitled to incentive compensation determined after the completion of the annual independent audit and based upon our net operating profits before taxes, interest, any other executive bonuses paid, depreciation and amortization (“EBITBDA”) and a cumulative scaled percentage. The incentive compensation is limited to six times Mr. Mangiapane’s base salary.
- As a signing bonus, Mr. Mangiapane was granted an option to purchase 500,000 shares of our common stock for \$1.00 per share for a period of five (5) years, which vested and became exercisable immediately.
- Mr. Mangiapane will be eligible to participate in Rubicon’s Stock Option Plan and Stock Purchase Plan during the term of his employment.
- In the event Rubicon terminates Mr. Mangiapane’s employment agreement without “cause” (as defined in the Employment Agreement) or Mr. Mangiapane resigns with “good reason” (as defined in the Employment Agreement), Mr. Mangiapane shall be entitled to receive, through the end of the term his base salary and incentive compensation.
- If the Employment Agreement is terminated for “cause” (as defined in the Employment Agreement), Mr. Mangiapane shall receive his base salary and incentive compensation through the date of termination. However, if a dispute arises between Rubicon and Mr. Mangiapane that is not resolved within 60 days and neither party initiates arbitration, we have the option to pay Mr. Mangiapane a lump sum of 6 months base salary as “severance payment” rather than pay Mr. Mangiapane’s salary and incentive compensation through the date of termination.
- In the event Mr. Mangiapane becomes incapacitated by reason of accident, illness, or other disability whereby he is unable to carry on substantially all of his normal duties for a continuous period of 120 days, the Employment Agreement will terminate and Mr. Mangiapane will receive (1) through the end of the fiscal year his incentive compensation and (2) his base salary for a 6 month period reduced by the amount of any payment received from disability insurance proceeds.
- In the event Mr. Mangiapane dies during the term of the Employment Agreement, Rubicon will pay to the estate of Mr. Mangiapane his incentive compensation and his base salary for a period of 6 months.

Table of Contents

Change in Control Arrangements

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

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

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

Director Compensation

The following table sets forth compensation paid to Rubicon's board members during the year ended December 31, 2010.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Kathleen McPherson	-	\$ 100,000	(1) -	-	\$ 381,000	(2) \$ 481,000
Todd Torneo	-	-	-	-	\$ 31,531	(3) \$ 31,531

(1) Amount represents the estimated fair market value of 500,000 shares of restricted common stock authorized for issuance to Ms. McPherson in May of 2010 for services rendered on behalf of Rubicon and NCS.

(2) Amount represents salary, bonus and commissions paid to Ms. McPherson from NCS during fiscal 2010.

(3) Amount includes the salary paid to Mr. Torneo as president of RFIS through September 30, 2010.

Directors generally receive equity compensation of 2,500 restricted shares of common stock per year of service; however, directors were not issued any shares for fiscal 2010. Further, directors who are not employees receive compensation of \$500 for each meeting of the board, as well as travel expenses if required. From time to time, certain directors who are not employees may also receive grants of options to purchase shares of Rubicon common stock.

Table of Contents

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

The following table presents information, to the best of Rubicon's knowledge, about the ownership of Rubicon's common stock on March 24, 2011 relating to those persons known to beneficially own more than 5% of Rubicon's capital stock and by Rubicon's directors and executive officers. The percentage of beneficial ownership for the following table is based on 14,898,023 shares of common stock outstanding.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and does not necessarily indicate beneficial ownership for any other purpose. Under these rules, beneficial ownership includes those shares of common stock over which the shareholder has sole or shared voting or investment power. It also includes shares of common stock that the shareholder has a right to acquire within 60 days after March 24, 2011 pursuant to options, warrants, conversion privileges or other right. The percentage ownership of the outstanding common stock, however, is based on the assumption, expressly required by the rules of the Securities and Exchange Commission, that only the person or entity whose ownership is being reported has converted options or warrants into shares of Rubicon's common stock.

Name of Beneficial Owner, Officer or Director(1)	Number of Shares	Percent of Outstanding Shares of Common Stock(2)
Joseph Mangiapane, Jr., Chief Executive Officer and Chairman(3)	2,784,222(4)	18.7%
Kathleen McPherson, Director(3)	1,102,500(5)	7.4%
Todd Torneo, Former Director(3)	100,000	0.7%
Directors and Officers as a Group	3,986,722	26.8%
The Bettingen 1999 Trust U/D/T October 8, 1999 4100 Newport Place, Suite 630 Newport Beach, CA 92660	1,200,000	8.0%
American International Industries, Inc. 601 Cien Street, Suite 235 Kemah, TX 77565	1,066,900	7.2%
Timothy McDermott 4100 Newport Place, Suite 630 Newport Beach, CA 92660	900,100	6.0%
Total Beneficial Owners as a group	3,167,000	21.2%

(1) As used in this table, "beneficial ownership" means the sole or shared power to vote, or to direct the voting of, a security, or the sole or shared investment power with respect to a security (i.e., the power to dispose of, or to direct the disposition of, a security).

(2) Figures are rounded to the nearest tenth of a percent.

(3) The address of each person is care of Rubicon: 18872 MacArthur Blvd., First Floor, Irvine, California 92612.

(4) Includes 500,000 options, exercisable at \$1.00 per share through December 31, 2011, and 300,000 shares held by Mr. Mangiapane's spouse and children.

(5) Includes 25,000 shares of preferred stock that are convertible into 100,000 shares of common stock.

Table of Contents

Equity Compensation Plan Information

The following table sets forth information as of December 31, 2010 regarding outstanding options granted under the plans, warrants issued to consultants and options reserved for future grant under the plan.

Plan Category	Number of shares to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of shares remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a) (c)
Equity compensation plans approved by stockholders	1,000,000	\$ 1.00	4,856,250
Equity compensation plans not approved by stockholders	--	--	--
Total	1,000,000	\$ 1.00	4,856,250 (1)

(1) As of December 31, 2010, 1,500,000 options were available for issuance under our 2007 stock option plan and 3,356,250 options/shares were available for issuance under our 2007 acquisition stock plan.

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

Other than as set forth below, we were not a party to any transactions or series of similar transactions that have occurred during fiscal 2009 in which:

- The amounts involved exceeds the lesser of \$120,000 or one percent of the average of our total assets at year end for the last two completed fiscal years (\$52,307); and
- A director, executive officer, holder of more than 5% of our common stock or any member of their immediate family had or will have a direct or indirect material interest.

In May of 2010, we authorized 750,000 shares of our restricted common stock to an employee and two officers for their services. The fair value of the shares issued was \$150,000, or \$0.20 per share. 150,000 of these shares were effectively cancelled in January of 2011 upon the resignation of one of the officers.

Kathleen McPherson

Kathleen McPherson, one of our current directors and the chief executive officer of NCS, received \$381,000 in cash compensation for services performed for NCS during 2010. Our board of directors reviewed Ms. McPherson's relationships with us and consented to the potential conflicts of interests involving Ms. McPherson. In addition, Ms. McPherson was issued 500,000 shares of our common stock, valued at \$100,000, for services performed for us and NCS.

Table of Contents

Todd Torneo

On September 30, 2010, we sold RFIS to one of our former directors and the sole officer of RFIS, Todd Torneo, in return for 50,000 shares of our common stock held by Mr. Torneo. The common stock was valued at \$19,000 using the market value as of the date of the transaction and cancelled upon receipt. A gain on the disposition of \$156,554 was recorded in the year ended December 31, 2010.

Director Independence

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

Item 14. Principal Accountant Fees and Services.

Weaver & Martin, LLC served as our principal independent public accountants for fiscal 2010 and 2009 years. Aggregate fees billed to us for the fiscal years ended December 31, 2010 and 2009 by Weaver & Martin, LLC were as follows:

	For the Fiscal Years Ended December 31,	
	2010	2009
(1) Audit Fees(1)	\$82,500	\$82,500
(2) Audit-Related Fees(2)	-0-	-0-
(3) Tax Fees(3)	-0-	-0-
(4) All Other Fees	-0-	-0-
Total fees paid or accrued to our principal accountant	\$82,500	\$82,500

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

Table of Contents

(5) Audit Committee Policies and Procedures

Our board of directors, acting in the capacity of the Audit Committee, pre-approves all services to be provided to us by our independent auditor. This process involves obtaining (i) a written description of the proposed services, (ii) the confirmation of our Principal Financial Officer that the services are compatible with maintaining specific principles relating to independence, and (iii) confirmation from our securities counsel that the services are not among those that our independent auditors have been prohibited from performing under SEC rules, as outlined in the Audit Committee charter. Our board of directors then makes a determination to approve or disapprove the engagement of Weaver & Martin for the proposed services. In fiscal 2008, all fees paid to Weaver & Martin were unanimously pre-approved in accordance with this policy.

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

PART IV

Item 15. Exhibits, Financial Statement Schedules.

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

(a) 1. Financial Statements

	Page
Management Responsibility for Financial Information	42
Management's Report on Internal Control Over Financial Reporting	44
Report of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets	F-2
Consolidated Statements of Operations	F-3
Consolidated Statements of Stockholders Equity	F-4
Consolidated Statements of Cash Flows	F-5

(b) 2. Financial Statement Schedules

None.

Table of Contents

(c) 3. Exhibit Index

Exhibit	Exhibit Description	Filed herewith	Incorporated by reference		
			Form	Period ending	Exhibit date
2.1	Merger Agreement among Rubicon Financial Incorporated, RFI Sub, Inc. and Grant Bettingen, Inc.		8-K		2.7 07/05/07
2.1(b)	Amendment No. 1 to the Merger Agreement among Rubicon Financial Incorporated, RFI Sub, Inc. and Grant Bettingen, Inc.		8-K		2.7(b) 09/14/07
2.1(c)	Amendment No.2 to the Merger Agreement among Rubicon Financial Incorporated, RFI Sub, Inc. and Grant Bettingen, Inc., dated January 23, 2007		8-K		2.7(c) 01/24/08
2.1(d)	Amendment No. 3 to the Merger Agreement among Rubicon Financial Incorporated, RFI Sub, Inc. and Grant Bettingen, Inc., dated March 18, 2008				2.7(d) 03/21/08
2.2	Separation and Distribution Agreement by and between Rubicon Financial Incorporated and Dial-A-Cup, Inc.		8-K		2.8 08/06/07
3.1(i)(a)	Articles of Incorporation		10-KSB	12/31/05	3.1(i)(a) 04/05/06
3.1(i)(b)	Certificate of Correction of Articles of Incorporation		10-KSB	12/31/05	3.1(i)(b) 04/05/06
3.1(i)(c)	Amendment to Articles of Incorporation		10-KSB	12/31/05	3.1(i)(c) 04/05/06
3.1(i)(d)	Amendment to Certificate of Incorporation changing name from ISSG, Inc. to Rubicon Financial Incorporated		8-K		3.1(i)(d) 09/08/06
3.1(i)(g)	Amendment to Certificate of Incorporation authorizing "blank check" Preferred Stock		8-K		3.1(i)(g) 08/01/07
3.1(ii)	Bylaws		10-K	12/31/09	3.1(ii) 04/15/10
4.1	Amended and Restated Certificate of Designation of 8% Series A Convertible Preferred Stock		10-Q	09/30/08	4.1 11/19/08
10.1	Employment Agreement with Joseph Mangiapane, Jr.		8-K		10.3 01/17/07
10.2	Share Purchase Agreement between Rubicon Financial Incorporated and Grant Bettingen, Inc.		8-K		10.9 09/14/07

Table of Contents

10.3	Amendment No. 1 to NCS Stock Purchase Agreement dated March 18, 2008	8-K		10.12	03/21/08
10.4	Stock Purchase and Settlement Agreement with AIS Financial Inc. and Marc Riviello dated June 2, 2008	8-K		10.18	06/06/08
10.5	Indemnity Agreement for Kathleen McPherson	8-K		10.1	07/21/09
10.6	Indemnity Agreement for Todd Torneo	8-K		10.2	07/21/09
10.7	\$100,000 Promissory Note	10-K	12/31/09	10.7	04/15/10
10.8	Subsidiary Purchase Agreement for Rubicon Financial Insurance Services, Inc. dated September 30, 2010	10-Q	09/30/10	10.8	11/15/10
10.9	Escrow Agreement for Rubicon Financial Insurance Services, Inc. sale dated September 30, 2010	10-Q	09/30/10	10.9	11/15/10
21.1	List of Subsidiaries	10-K	12/31/10	21.1	03/31/11
23.1	<u>Consent of Weaver and Martin, LLC</u>	X			
31.1	<u>Certification of Joseph Mangiapane, Jr., Chief Executive Officer and Principal Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act</u>	X			
32.1	<u>Certification of Joseph Mangiapane, Jr., Chief Executive Officer and Principal Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act</u>	X			
99.1	Press release dated February 22, 2011 disclosing the Dial-A-Cup, Horizon Exterior Technology Letter of Intent	8-K		99.1	03/02/11

Table of Contents

SIGNATURES

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

RUBICON FINANCIAL INCORPORATED

Date: March 6, 2012

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

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

Name	Title	Date
/s/ Joseph Mangiapane, Jr. Joseph Mangiapane, Jr.	Chief Executive Officer, President & Director (Principal Executive Officer and Principal Financial Officer)	March 6, 2012
/s/ Kathleen McPherson Kathleen McPherson	Director	March 6, 2012

Table of Contents