RUBICON TECHNOLOGY, INC.

A Delaware Corporation

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Bensenville, IL 60106

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Federal EIN: 36-4419301
SIC Code: 3674

Issuer's Quarterly Report

For the three and six months ended June 30, 2023

ISSUER'S EQUITY SECURITIES

COMMON STOCK

Common Stock
$0.001 Par Value Per Share
8,200,000 Shares Authorized
2,377,815 Shares Outstanding as of June 30, 2023
OTCQB: RBCN

Rubicon Technology, Inc. is responsible for the content of this Quarterly Report. The securities described in this document are not registered with, and the information contained in this report has not been filed with, or approved by, the U.S. Securities and Exchange Commission.

<u>**Table of Contents**</u>

RUBICON TECHNOLOGY, INC.

A Delaware Corporation

QUARTERLY REPORT

Cautionary Note regarding Forward-Looking Statements

All statements, other than statements of historical facts, included in this Quarterly Report, including statements regarding our estimates, expectations, beliefs, intentions, projections or strategies for the future, results of operations, financial position, net sales, projected costs, prospects and plans and objectives of management for future operations may be "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. We have based these forward-looking statements on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives and financial needs. These forward looking statements can be identified by the use of terms and phrases such as "believe," "plan," "intend," "anticipate," "target," "estimate," "expect," "forecast," "prospects," "goals," "potential," "likely," and the like, and/or future-tense or conditional constructions such as "will," "may," "could," "should," etc. (or the negative thereof). Items contemplating or making assumptions about actual or potential future sales, market size and trends or operating results also constitute forward-looking statements.

Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Before investing in our common stock, investors should be aware that the occurrence of the risks, uncertainties and events described in the section entitled "Risk Factors" in our Annual Report on Form 10-K, for the year ended December 31, 2022, and elsewhere in this Quarterly Report could have a material adverse effect on our business, results of operations and financial condition.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, forward-looking statements are inherently subject to known and unknown business, economic and other risks and uncertainties that may cause actual results to be materially different from those discussed in these forward-looking statements. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Quarterly Report. We assume no obligation to update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Quarterly Report, other than as may be required by applicable law or regulation. If one or more of these risks or uncertainties materialize, or if the underlying assumptions prove incorrect, our actual results may vary materially from those expected or projected.

You should read this Quarterly Report, the documents that we reference in this Quarterly Report, and our Annual Report on Form 10-K for the year ended December 31, 2022, with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect.

Unless otherwise indicated, the terms "Rubicon," the "Company," "we," "us," and "our" refer to Rubicon Technology, Inc., and our consolidated subsidiaries.

Item 1. The exact name of the issuer and the address of its principal executive offices

The name of the issuer is Rubicon Technology, Inc.

The address of the issuer:	**900 East Green Street, Bensenville, IL 60106**
The issuer's telephone:	**(847) 295-7000**
The issuer's website:	**Rubicon Technology, Inc.'s corporate website, www.rubicontechnology.com, contains general information about us and our products and services. The information contained on such website shall not be deemed incorporated by reference herein.**
Investor relations contact:	**Joseph Ferrara, Executive Officer and Chief Financial Officer 900 East Green Street, Bensenville, IL 60106 Telephone: (914) 519-8828 jferrara@rubicontechnology.com**

Check box if principal executive office and principal place of business are the same address: ☒

Item 2. Shares outstanding

The company is authorized to issue 8,200,000 shares of Common Stock at $0.001 par value.

	June 30, 2023	December 31, 2022	December 31, 2021
Number of shares authorized	8,200,000	8,200,000	8,200,000
Number of shares outstanding	2,377,815	2,462,889	2,446,652
Freely tradeable shares (public float)	1,269,815	1,265,840	2,010,177
Number of shareholders of record	14	13	15

As of December 31, 2022, there were 918 beneficial shareholders holding at least 100 shares.

Item 3. Unaudited interim condensed consolidated financial statements

Copies of the unaudited interim condensed consolidated financial statements of Rubicon Technology, Inc. for the three and six months ended June 30, 2023 and June 30, 2022, including the unaudited interim Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Income, Condensed Consolidated Statements of Stockholders' Equity, Condensed Consolidated Statements of Cash Flows and Notes to the condensed consolidated financial statements, are attached hereto as Exhibit 3.1 and are hereby incorporated by reference into this Quarterly Report.

The unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). The accompanying unaudited interim condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. These adjustments are of a normal recurring nature. As permitted under U.S. GAAP, certain footnotes or other financial information are condensed or omitted in the unaudited interim condensed consolidated financial statements. These unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2022. The December 31, 2022 unaudited Condensed Consolidated Balance Sheet was derived from audited consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2022, but does not include all disclosures required by U.S. GAAP. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2023.

Item 4. Management's discussion and analysis

Overview

Rubicon currently consists of two subsidiaries, Rubicon Worldwide LLC, doing business as Rubicon Technology Worldwide LLC ("RTW") and Rubicon Technology BP LLC ("BP"). In June 2021 the operations of Rubicon DTP LLC, doing business as Direct Dose Rx ("Direct Dose") were discontinued.

Our Business

RTW is an advanced materials provider specializing in monocrystalline sapphire for applications in optical and industrial systems. Sapphire is a desirable material for high-performance applications due to its hardness and strength, transparency in the visible and infrared spectrum, thermal conductivity, thermal shock resistance, abrasion resistance, high melting point and chemical inertness. As a result, it is ideally suited for extreme environments in a range of industries where material durability is just as important as optical clarity. We believe that we continue to have a reputation as one of the highest quality sapphire sources in the market. We provide optical and industrial sapphire products and materials in a variety of shapes and sizes. We manage our operations and ship from our facility located in Bensenville, Illinois.

During the second quarter, the Company decided to no longer produce or fabricate its own products. Future sales of the Company will be fulfilled with existing inventory manufactured in-house and outsourced products. As part of this decision, on June 16, 2023, Rubicon Technology BP LLC, whose sole member and manager is the Company, entered into a Purchase and Sale Agreement (the "Purchase Agreement") with Hamilton Partners, Inc. for the sale of the property commonly known as 900 East Green Street, Bensenville, IL 60106, for a total cash consideration of $2,974,000. As part of the Purchase Agreement, the Company will lease back a portion of the property to continue its operations. The sale is expected to close during the third quarter of 2023. On July 25, 2023, the Company auctioned off equipment for net proceeds of approximately $300,000.

We operate in a very competitive market. Our ability to expand our optical and industrial business and acceptance of new product offerings are difficult to predict.

In June 2021 the operations of Direct Dose Rx were discontinued. The costs associated with such closure were not material. Direct Dose Rx revenue and expenses are currently not material to the consolidated financial information of the Company and therefore there is limited disclosure relating specifically to it.

Based on the Company's review and analysis of ASC 205-20 Presentation of Discontinued Operations it concluded to present the discontinued operations separately.

We have significant NOL carryforwards. Under federal tax laws, we can carry forward and use our NOLs to reduce our future U.S. taxable income and tax liabilities until such NOL carryforwards expire in accordance with the Internal Revenue Code of 1986, as amended (the "IRC"). Our NOL carryforwards provide a benefit to us, if fully utilized, of significant future tax savings. However, our ability to use these tax benefits in future years will depend upon the amount of our federal and state taxable income. If we do not have sufficient federal and state income in future years to use the benefits before they expire, we will permanently lose the benefit of the NOL carryforwards. Our ability to use the tax benefits associated with our NOL carryforwards is dependent upon our generation of future taxable profits and our ability to successfully identify and consummate suitable acquisitions or investment opportunities.

On December 18, 2017, the Company entered into a Section 382 Rights Agreement with American Stock Transfer & Trust Company, LLC, as Rights Agent (the "Rights Agreement") in an effort to protect stockholder value by attempting to diminish the risk that the Company's ability to use its net NOLs to reduce potential future federal income tax obligations may become substantially limited. The Company's ability to utilize its NOLs may be substantially limited if the Company experiences an "ownership change" within the meaning of Section 382 of the Internal Revenue Code of 1986, as amended (the "IRC"). The Rights Agreement is intended to act as a deterrent to any person acquiring beneficial ownership of 4.9% or more of the Company's outstanding common stock without the approval of the Company's Board of Directors (the "Board").

In August 2022, Janel Corporation ("Janel") completed a tender offer to acquire 1,108,000 shares or 45% of our outstanding common stock at a price per share of $20.00. The tender offer was made pursuant to the terms and conditions set forth in a Stock Purchase and Sale Agreement, dated as of July 1, 2022, between the Company and Janel (the "Purchase Agreement"). The terms and conditions provided that, immediately after the consummation of the tender offer, the Company pay a cash distribution to all stockholders of $11.00 per share. This cash distribution was made in August 2022 and totaled approximately $27.1 million. As part of completing the Purchase Agreement, the Company took into consideration the impact it would have on the NOL carryforwards and determined that the transaction would not result in any impairment. Rubicon is continuing to evaluate opportunities to utilize the NOL carryforwards. As part of the transaction, the Board approved Amendment No. 2 to the Rights Agreement dated as of December 18, 2017, between the Company and American Stock Transfer & Trust Company, LLC, regarding the Company's ability to utilize its U.S. net operating loss ("NOL") carryforwards (the "Rights Agreement"). This amendment extended the final expiration date of the Rights Agreement to September 1, 2025.

Rubicon Technology, Inc. is a Delaware corporation and was incorporated on February 7, 2001. Our common stock was listed on the Nasdaq Capital Market under the symbol "RBCN" until it was delisted effective December 30, 2022. On January 3, 2023, our common stock began trading on the OTCQB Capital Market under the symbol "RBCN."

For the three months ended June 30, 2023, the Company had four customers individually that accounted for approximately 28%, 19%, 12%, and 12% of revenue. For the three months ended June 30, 2022, the Company had six customers individually that accounted for approximately 17%, 16%, 14%, 13%, 12% and 10% of revenue. No other customer accounted for 10% or more of the Company's revenues during the three months ended June 30, 2023 and 2022. We expect our sales to continue to be concentrated among a small number of customers. However, we also expect that our significant customers may change from time to time.

For the six months ended June 30, 2023, the Company had three customers individually that accounted for approximately 22%, 21%, and 13% of revenue. For the six months ended June 30, 2022, the Company had five customers individually that accounted for approximately 17%, 14%, 12%, 11% and 11% of revenue. No other customer accounted for 10% or more of the Company's revenues during the six months ended June 30, 2023 and 2022. We expect our sales to continue to be concentrated among a small number of customers. However, we also expect that our significant customers may change from time to time.

Customers individually representing more than 10% of trade receivables accounted for approximately 92% and 66% of accounts receivable as of June 30, 2023, and June 30, 2022, respectively.

We recognize revenue based upon the shipping terms with our customers. Delays in product orders or changes to the timing of shipments could cause our quarterly revenue to vary significantly. We sell our products on a global basis, and historically derived a significant portion of our revenue from customers outside of the U.S., with the majority of our sales to the Asian and European markets. Following the decision to limit our focus to the optical and industrial sapphire markets, a major source of our revenue is derived from the North American market. All of our revenue and corresponding accounts receivable are denominated in U.S. dollars. Substantially all of our revenue is generated by our direct sales force, and we expect this to continue in the future.

The cost of products produced at our facility consists primarily of manufacturing materials, labor, manufacturing related overhead, such as utilities, depreciation, provisions for excess and obsolete inventory reserves, idle plant charges, outsourcing costs, freight, and warranties. We purchase materials and supplies to support current and future demand for our products. We currently outsource a significant amount of our material needs. We are subject to variations in the cost of outsourced products and materials from period to period because we do not have long-term fixed-price agreements with our suppliers.

Our operating expenses are comprised of sales and marketing, and general and administrative ("G&A") expenses. G&A expenses consist primarily of compensation and associated costs for finance, human resources, information technology and administrative activities, including charges for accounting, legal services, insurance, and stock-based compensation.

Other income consists of interest income, realized and unrealized gain (loss) on investments, and other income (expenses) that are not part of operating results.

We account for income taxes under the asset and liability method, whereby the expected future tax consequences of temporary differences between the book value and the tax basis of assets and liabilities are recognized as deferred tax assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to be recognized. Our analysis of ownership changes that limit the utilization of our NOL carry-forwards as of December 31, 2022, shows no impact on such utilization. We are in a cumulative loss position for the past three years. Based on an evaluation in accordance with the accounting standards, a valuation allowance has been recorded against the net U.S. deferred tax assets in order to measure only the portion of the deferred tax assets that are more likely than not to be realized based on the weight of all available evidence. Until an appropriate level of profitability is attained, we expect to maintain a full valuation allowance on our U.S. net deferred tax assets.

We continue to review a variety of strategic alternatives with the goal of providing greater value to our stockholders. These alternatives could result in, among other things, further modifying or eliminating certain of our operations, selling material assets, seeking additional financing, selling the business, making investments, effecting a merger, consolidation, or other business combination, partnering or other collaboration agreements, or potential acquisitions or recapitalizations, or we may continue to operate with our current business plan and strategy. We cannot provide assurance that this process will result in the consummation of any transaction, or that the consummation of any transaction will provide greater value to our stockholders.

Financial Results

Consolidated Results from Operations

The table below presents comparative information from the Company's unaudited interim Consolidated Statements of Operations for the three months ended June 30, 2023 and 2022.

	Three months ended June 30,	
	2023	**2022**
	(in thousands)	
Revenue	$ 408	$ 805
Cost of goods sold	810	439
Gross profit	(402)	366
Operating expenses:		
General and administrative	351	722
Sales and marketing	29	31
Gain on sale or disposal of assets	(642)	(639)
Other gain	—	—
Total operating (income) expense	(262)	114
Income (loss) from continuing operations	(140)	252
Other income (expense)	(13)	284
Income (loss) before income taxes from continuing operations	(153)	536
Income from discontinued operations	(1)	1
Income tax expense	—	—
Net income (loss)	$ (154)	$ 537

	Three months ended June 30,	
	2023	2022
	(percentage of total)	
Revenue	100%	100%
Cost of goods sold	199	55
Gross profit	(99)	45
Operating expenses:		
General and administrative	86	89
Sales and marketing	7	4
Gain on sale or disposal of assets	(157)	(79)
Other gain	—	—
Total operating (income) expense	(64)	14
Income (loss) from continuing operations	(35)	31
Other income (expense)	(3)	36
Income (loss) before income taxes from continuing operations	(38)	67
Income from discontinued operations	—	—
Income tax expense	—	—
Net income (loss)	(38)%	67%

Comparison of three months ended June 30, 2023 and 2022

Revenue

Revenue from continuing operations was $408,000 and $805,000 for the three months ended June 30, 2023 and 2022, respectively, a decrease of $397,000. This decrease in revenue was primarily due to fluctuations in demand and timing of orders shipped.

Revenue from discontinuing operations was $0 and $0 for the three months ended June 30, 2023 and 2022, respectively. This was due to the discontinuation of those operations.

Gross profit (loss)

Gross profit (loss) from continuing operations was $(402,000) and $366,000 for the three months ended June 30, 2023 and 2022, respectively, a decrease of $768,000. The gross profit decrease was due to the decrease in revenue of $397,000, as well as a one-time, non-cash charge of $367,000 to cost of goods sold relating to the write off of certain raw materials.

Gross profit from discontinued operations was $0 and $0 for the three months ended June 30, 2023 and 2022, respectively. This was the result of the discontinuation of operations.

General and administrative expense

General and administrative expenses from continuing operations were $351,000 and $722,000 for the three months ended June 30, 2023 and 2022, respectively, a decrease of $371,000. This decrease was due to a decrease in salary expense of $47,000, primarily due to the departure of the Company's former chief executive officer on January 6, 2023, a decrease in consulting and legal fees of $111,000 and $188,000, respectively. Legal and consulting fees were higher in 2022 as a result of expenses related to the Janel tender offer and the pursuit of other investment opportunities. In addition, there were decreases in bonus accruals and a decrease in directors' fees of $32,000.

General and administrative expenses from discontinuing operations were $0 and $0 for the three months ended June 30, 2023 and 2022, respectively. This was due to the discontinuation of operations.

Sales and marketing expense

Sales and marketing expenses from continuing operations were $29,000 and $31,000 for the three months ended June 30, 2023 and 2022, respectively, a decrease of $2,000, due to a reduction sales and marketing wages.

Sales and marketing expenses from discontinuing operations were $0 and $0 for the three months ended June 30, 2023 and 2022, respectively. This was due to the discontinuation of operations.

Gain on sale or disposal of assets

For the three months ended June 30, 2023, the Company recorded a gain on sale of excess consumable assets of $642,000, and for the three months ended June 30, 2022, the Company recorded a gain on sale of excess consumable assets of $639,000.

Other income (expense)

Other expense was $13,000 for the three months ended June 30, 2023, due to interest expense of $25,000, offset by $12,000 in interest income. For the three months ended June 30, 2022, other income of $284,000 was comprised of $4,000 in unrealized gains on equity investments, $30,000 in interest income, and $250,000 in grant revenue (see Note 2 – Summary of Significant Accounting Policies).

Income tax (benefit) expense

In accordance with ASC740 “Accounting for Income Taxes” (“ASC740”), we evaluate our deferred income tax assets quarterly to determine if valuation allowances are required or should be adjusted. At June 30, 2023, we continue to be in a three-year cumulative loss position; therefore, until an appropriate level of profitability is attained, we expect to maintain a valuation allowance on net deferred tax assets related to future U.S. tax benefits and will no longer accrue tax benefits or tax expense on our consolidated statements of operations. The tax provision for the three months ended June 30, 2023, is based on an estimated combined statutory effective tax rate.

The table below presents comparative information from the Company's unaudited interim Consolidated Statements of Operations for the six months ended June 30, 2023 and 2022.

	Six months ended June 30,	
	2023	2022
	(in thousands)	
Revenue	$ 1,098	$ 1,777
Cost of goods sold	1,294	1,019
Gross profit (loss)	(196)	758
Operating expenses:		
General and administrative	740	1,226
Sales and marketing	61	71
Gain on sale or disposal of assets	(642)	(1,071)
Other gain	—	(189)
Total operating expense	159	37
Income (loss) from continuing operations	(355)	721
Other income (expense)	(33)	295
Income (loss) before income taxes from continuing operations	(388)	1,016
Income (loss) from discontinued operations	(1)	15
Income tax expense	—	—
Net income (loss)	$ (389)	$ 1,031

	Six months ended June 30,	
	2023	2022
	(percentage of total)	
Revenue	100%	100%
Cost of goods sold	118	57
Gross profit (loss)	(18)	43
Operating expenses:		
General and administrative	67	69
Sales and marketing	5	4
Gain on sale or disposal of assets	(58)	(60)
Other gain	—	(11)
Total operating expense	14	2
Income (loss) from continuing operations	(32)	41
Other income (expense)	(3)	16
Income (loss) before income taxes from continuing operations	(35)	57
Income from discontinued operations	—	1
Income tax expense	—	—
Net income (loss)	(35)%	58%

Comparison of six months ended June 30, 2023 and 2022

Revenue

Revenue from continuing operations was $1,098,000 and $1,777,000 for the six months ended June 30, 2023 and 2022, respectively, a decrease of $679,000. This decrease in revenue was primarily due to fluctuations in demand and timing of orders shipped.

Revenue from discontinuing operations was $0 and $0 for the six months ended June 30, 2023 and 2022, respectively. This was due to the discontinuation of those operations.

Gross profit (loss)

Gross profit (loss) from continuing operations was $(196,000) and $758,000 for the six months ended June 30, 2023 and 2022, respectively, a decrease of $954,000. The gross profit decrease was due to the decrease in revenue of $679,000, as well as a one-time, non-cash charge of $367,000 to cost of goods sold relating to the write off of certain raw materials, offset by various inventory adjustments and improvement in variances.

Gross profit from discontinued operations was $0 and $0 for the six months ended six months ended June 30, 2023 and 2022, respectively. This was the result of the discontinuation of operations.

General and administrative expense

General and administrative expenses from continuing operations were $740,000 and $1,226,000 for the six months ended June 30, 2023 and 2022, respectively, a decrease of $486,000. This decrease was due to a decrease in salary expense of $218,000, primarily due to the departure of the Company's former chief executive officer on January 6, 2023, and a decrease in consulting and legal fees of $145,000 and $91,000, respectively. Legal and consulting fees were higher in 2022 as a result of expenses related to the Janel tender offer, and the pursuit of other investment opportunities. Additionally, consulting fees in 2023 were lower as the result of a consultant being hired as a full-time employee in 2023. There was also a decrease in directors' fees of $52,000.

General and administrative expenses from discontinuing operations were $0 and $0 for the six months ended June 30, 2023 and 2022, respectively. This was due to the discontinuation of operations.

Sales and marketing expense

Sales and marketing expenses from continuing operations were $61,000 and $71,000 for the six months ended June 30, 2023 and 2022, respectively, a decrease of $10,000, due to a reduction in sales and marketing wages.

Sales and marketing expenses from discontinuing operations were $0 and $0 for the six months ended June 30, 2023 and 2022, respectively. This was due to the discontinuation of operations.

Gain on sale or disposal of assets

For the six months ended June 30, 2023, the Company recorded a gain on sale of excess consumable assets of $642,000, and for the six months ended June 30, 2022, the Company recorded a gain on sale of excess consumable assets of $1,071,000.

Other gain

There was no other gain in the six months ended June 30, 2023. In the six months ended June 30, 2022, the Company settled liabilities that were accrued in prior years resulting in an other gain of approximately $189,000.

Other income (expense)

Other expense was $33,000 for the six months ended June 30, 2023, due to interest expense of $51,000, offset by $18,000 in interest income. For the six months ended June 30, 2022, other income of $295,000 was comprised of $11,000 in unrealized gains on equity investments, $34,000 in interest income, and $250,000 in grant revenue (see Note 2 – Summary of Significant Accounting Policies).

Income tax (benefit) expense

In accordance with ASC740 "Accounting for Income Taxes" ("ASC740"), we evaluate our deferred income tax assets quarterly to determine if valuation allowances are required or should be adjusted. At June 30, 2023, we continue to be in a three-year cumulative loss position; therefore, until an appropriate level of profitability is attained, we expect to maintain a valuation allowance on net deferred tax assets related to future U.S. tax benefits and will no longer accrue tax benefits or tax expense on our consolidated statements of operations. The tax provision for the six months ended June 30, 2023, is based on an estimated combined statutory effective tax rate.

Liquidity and Capital Resources

We have historically funded our operations using a combination of issuances of common stock and cash generated from our operations. However, during the year ended December 31, 2022, the Company entered into a business loan agreement and promissory note in the amount of $1,620,000. For more information regarding the business loan agreement and promissory note, see Note 2 – Summary of Significant Accounting Policies of our Consolidated Financial Statements. We occasionally generate funds by selling our excess equipment and consumable inventory.

As of June 30, 2023, we had cash and cash equivalents totaling $1,275,000, consisting of $128,000 in cash held in deposits at major banks and $1,147,000 invested in money market funds.

Cash Flows from Operating Activities

Net cash used in operating activities was $817,000 for the six months ended June 30, 2023. During the period, we generated a net loss of $388,000, including non-cash items of $(588,000) and an increase in cash due to a decrease in net working capital of $158,000. The net working capital cash increase was largely due to a net decrease in accounts payable, accrued payroll and other accrued liabilities of $477,000, as well as an increase in prepaid expenses of $48,000, offset by net decreases in accounts receivable and inventories of $691,000.

Net cash used in operating activities was $601,000 for the six months ended June 30, 2022. During the period, we generated a net income of $1,016,000, including non-cash items of $(1,174,000) and a decrease in cash due to an increase in net working capital of $443,000. The net working capital cash decrease was primarily driven by a decrease in pre-paid expenses of $63,000, a decrease of $200,000 in accrued liabilities, an increase in corporate income and franchise taxes of $27,000, an increase in accounts receivable of $314,000, an increase in inventories and supplies of $65,000, an increase in grants receivable of $250,000 and an increase in accounts payable of $47,000.

Net cash used in operating activities of discontinued operations was $0 for six months ended June 30, 2023 and 2022, respectively.

Cash Flows from Investing Activities

Net cash provided from investing activities was $685,000 for the six months ended June 30, 2023, which was comprised of proceeds from the sale of assets.

Net cash provided from investing activities was $14,000 for the six months ended June 30, 2022. During the period, there were proceeds from the sale of assets totaling $1,086,000 and proceeds from the sale of investments totaling $19,000, offset by purchases of investments totaling $1,091,000.

Net cash used in investing activities of discontinued operations was $0 for the six months ended June 30, 2023 and 2022, respectively.

Cash Flows from Financing Activities

Net cash used in financing activities was $182,000 for the six months ended June 30, 2023, including $168,000 for the purchase of treasury stock and $14,000 in mortgage loan payments.

Net cash used in financing activities was $0 for the six months ended June 30, 2022.

Net cash used in financing activities of discontinued operations was $0 for the six months ended June 30, 2023 and 2022, respectively.

Future liquidity requirements

We believe that our existing cash, cash equivalents, anticipated cash flows from operating activities and proceeds from sales or leases of fixed assets will be sufficient to meet our anticipated cash needs for at least the next twelve months. However, if our ability to generate sufficient operating cash flow or our use of cash in the next twelve months were to significantly adversely change, we may not have enough funds available to continue operating at our current level in future periods. Our cash needs include cash required to fund our operations. If the assumptions underlying our business plan regarding future revenues and expenses change, or if unexpected opportunities or needs arise, we may seek to raise additional cash by selling equity or convertible debt securities. If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our stockholders could be significantly diluted, and these newly issued securities may have rights, preferences, or privileges senior to those of existing stockholders. In evaluating whether and how to raise capital, the Company will consider the impact it may have on the ability to utilize its tax attributes in the future. As a result, the Company may be limited as to the amount of equity it can issue without impairing its tax attributes.

Off-Balance Sheet Arrangements

None.

Item 5. Legal proceedings

From time to time, the Company experiences routine litigation in the ordinary course of its business. There were no outstanding material matters as of June 30, 2023, and through the date of this filing.

Item 6. Defaults upon senior securities

None.

Item 7. Other information

None.

Item 8. Exhibits

Exhibit 3.1	Unaudited interim condensed consolidated financial statements
Exhibit 9.1	Certification of principal executive officer and chief financial officer

Item 9. Certifications

Current certifications are filed as Exhibits 9.1 to this Quarterly Report.

EXHIBIT 3.1

RUBICON TECHNOLOGY INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share information)
(Unaudited)

	June 30, 2023	December 31, 2022
Assets		
Cash and cash equivalents	$ 1,275	$ 1,590
Restricted cash	120	120
Accounts receivable, net	539	671
Grants receivable, current	126	—
Inventories, net	161	325
Other inventory supplies	32	124
Prepaid expenses and other current assets	95	47
Assets held for sale	2,131	—
Total current assets	4,479	2,877
Grants receivable, non-current	123	250
Inventories, non-current, net	303	650
Property and equipment, net	—	2,182
Total assets	$ 4,905	$ 5,959
Liabilities and stockholders' equity		
Accounts payable	$ 250	$ 438
Accrued payroll	17	128
Accrued and other current liabilities	45	223
Corporate income and franchise taxes	300	304
Accrued real estate taxes	67	67
Advance payments	—	4
Current portion of long term debt, net of unamortized finance costs	1,579	25
Total current liabilities	2,258	1,189
Long term debt, net of current portion and unamortized finance costs	—	1,566
Total liabilities	2,258	2,755
Commitments and contingencies (see Note 8)		
Stockholders' equity		
Preferred stock, $0.001 par value, 1,000,000 undesignated shares authorized, no shares issued or outstanding	—	—
Common stock, $0.001 par value 8,200,000 shares authorized; 3,011,917 and 2,995,680 shares issued; 2,377,815 and 2,462,889 shares outstanding	29	29
Additional paid-in capital	349,520	349,520
Treasury stock, at cost, 634,102 and 549,028 shares	(15,316)	(15,147)
Accumulated other comprehensive loss	—	—
Accumulated deficit	(331,586)	(331,198)
Total stockholders' equity	2,647	3,204
Total liabilities and stockholders' equity	$ 4,905	$ 5,959

See accompanying notes to unaudited condensed consolidated financial statements

RUBICON TECHNOLOGY INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share information)
(Unaudited)

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
	(unaudited) (in thousands, other than share and per share data)			
Revenue	$ 408	$ 805	$ 1,098	$ 1,777
Cost of goods sold	810	439	1,294	1,019
Gross profit (loss)	(402)	366	(196)	758
Operating expenses:				
General and administrative	351	722	740	1,226
Sales and marketing	29	31	61	71
Gain on sale or disposal of assets	(642)	(639)	(642)	(1,071)
Other gain	—	—	—	(189)
Income (loss) from continuing operations	(140)	252	(355)	721
Other income:				
Interest income	12	30	18	34
Interest expense	(25)	—	(51)	—
Unrealized gain on equity investments	—	4	—	11
Grant revenue	—	250	—	250
Total other income (loss)	(13)	284	(33)	295
Income (loss) before income taxes from continuing operations	(153)	536	(388)	1,016
Income tax expense	—	—	—	—
Income (loss) from continuing operations	$ (153)	$ 536	$ (388)	$ 1,016
Income (loss) from discontinued operations, net of taxes	(1)	1	(1)	15
Net income (loss)	(154)	537	(389)	1,031
Net income (loss) per common share: basic				
Continuing operations	$ (0.06)	$ 0.22	$ (0.16)	$ 0.42
Discontinued operations	$ 0.00	$ 0.00	$ (0.00)	$ 0.01
Net income (loss) per common share: diluted				
Continuing operations	$ (0.06)	$ 0.22	$ (0.16)	$ 0.41
Discontinued operations	$ 0.00	$ 0.00	$ 0.00	$ 0.01
Weighted average common shares outstanding used in computing net income (loss) per common share				
Basic	2,394,040	2,446,652	2,415,309	2,446,652
Diluted	2,394,040	2,475,446	2,415,309	2,461,465

See accompanying notes to unaudited condensed consolidated financial statements

RUBICON TECHNOLOGY INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except per share information)
(Unaudited)

	Common stock		Treasury stock			Stockholders' equity		
	Shares	Amount	Shares	Amount	Additional paid-in capital	Accum other comp loss	Accum deficit	Total stockholders' equity
				(in thousands other than share data) (unaudited)				
Balance at January 1, 2022	2,995,680	$ 29	(549,028)	$ (15,147)	$ 376,640	$ (1)	$ (332,133)	$ 29,388
Stock-based compensation	—	—	—	—	18	—	—	18
Unrealized loss on investment, net of tax	—	—	—	—	—	(1)	—	(1)
Net income	—	—	—	—	—	—	494	494
Balance at March 31, 2022	2,995,680	$ 29	(549,028)	$ (15,147)	$ 376,658	$ (2)	$ (332,639)	$ 29,899
Stock-based compensation	—	—	—	—	19	—	—	19
Unrealized loss on investment, net of tax	—	—	—	—	—	1	—	1
Net income	—	—	—	—	—	—	537	537
Balance at June 30, 2022	2,995,680	$ 29	(549,028)	$ (15,147)	$ 376,677	$ (1)	$ (331,102)	$ 30,456

	Common stock		Treasury stock			Stockholders' equity		
	Shares	Amount	Shares	Amount	Additional paid-in capital	Accum other comp loss	Accum deficit	Total stockholders' equity
	(in thousands other than share data) (unaudited)							
Balance at January 1, 2023	3,011,917	$ 29	(549,028)	$ (15,147)	$ 349,520	$ —	$ (331,198)	$ 3,204
Purchase of treasury stock	—	—	(52,624)	(112)	—	—	—	(112)
Net income	—	—	—	—	—	—	(234)	(234)
Balance at March 31, 2023	3,011,917	$ 29	(601,652)	$ (15,259)	$ 349,520	$ —	$ (331,432)	$ 2,858
Purchase of treasury stock	—	—	(32,450)	(56)	—	—	—	(56)
Net income	—	—	—	—	—	—	(154)	(154)
Balance at June 30, 2023	3,011,917	29	(634,102)	(15,316)	349,520	—	(331,586)	2,647

See accompanying notes to unaudited condensed consolidated financial statements

RUBICON TECHNOLOGY INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, except per share information)
(Unaudited)

	Six months ended June 30, 2023	Six months ended June 30, 2022
Cash flows from operating activities		
Income (loss) from continuing operations	$ (388)	$ 1,016
Adjustments to reconcile net income (loss) from continuing operations to net cash provided by (used in) continuing operations		
Depreciation and amortization	54	60
Gain on sale or disposal of assets	(642)	(1,071)
Other gain	—	(189)
Stock-based compensation	—	37
Unrealized gain on equity investments, net	—	(11)
Changes in operating assets and liabilities:		
Accounts receivable	132	(314)
Inventories	511	(58)
Other inventory supplies	48	(7)
Prepaid expenses and other assets	(48)	64
Grants receivable	—	(250)
Accounts payable	(188)	(47)
Accrued payroll	(111)	92
Accrued real estate taxes	—	(2)
Corporate income and franchise taxes	(3)	(27)
Advanced payments	(4)	(2)
Accrued and other current liabilities	(178)	108
Net cash used in continuing operations	(817)	(601)
Cash flows used in discontinued operations	(1)	—
Cash flows from investing activities		
Proceeds from sale or disposal of assets	685	1,086
Purchases of investments	—	(1,091)
Proceeds from sale of investments	—	19
Net cash provided by investing activities	685	14
Cash flows from financing activities		
Mortgage loan principal payments	(14)	—
Purchase of treasury stock	(168)	—
Net cash used in financing activities	(182)	—
Net decrease in cash & cash equivalents	(315)	(587)
Cash, cash equivalents and restricted cash, beginning of period	1,710	11,260
Cash, cash equivalents and restricted cash, end of period	$ 1,395	$ 10,673
Supplemental disclosure of cash flow:		
Cash paid for interest	$ 49	$ —

See accompanying notes to unaudited condensed consolidated financial statements

NOTE 1. BASIS OF PRESENTATION

Interim financial data

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information. Accordingly, they do not include all the information and notes required by GAAP for complete consolidated financial statements and should be read in conjunction with Rubicon Technology, Inc.'s (the "Company") annual report filed on Form 10-K for the fiscal year ended December 31, 2022. In the opinion of management, all adjustments (consisting only of adjustments of a normal and recurring nature) considered necessary for a fair presentation of the results of operations have been included. Consolidated operating results for the six months ended June 30, 2023, are not necessarily indicative of results that may be expected for the year ending December 31, 2023.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries, Rubicon Worldwide LLC, doing business as Rubicon Technology Worldwide LLC, Rubicon Technology BP LLC, and the discontinued operations of Rubicon DTP LLC. In June 2021, the operations of Rubicon DTP LLC were discontinued. All intercompany transactions and balances have been eliminated in consolidation.

Investments

When the Company invests its available cash, it primarily invests in U.S. Treasury securities, investment grade commercial paper, FDIC guaranteed certificates of deposit, common stock, equity-related securities, and corporate notes. Investments classified as available-for-sale debt securities are carried at fair value with unrealized gains and losses recorded in accumulated other comprehensive income (loss). Investments in equity securities are reported at fair value, with both realized and unrealized gains and losses recorded in other income (expense), in the Consolidated Statements of Operations. Investments in which we have the ability and intent, if necessary, to liquidate in order to support our current operations are classified as short-term.

We review our available-for-sale debt securities investments at the end of each quarter for other-than-temporary declines in fair value based on the specific identification method. We consider various factors in determining whether an impairment is other-than-temporary, including the severity and duration of the impairment, changes in underlying credit ratings, forecasted recovery, our ability and intent to hold the investment for such period of time sufficient to allow for any anticipated recovery in market value and the probability that the scheduled cash payments will continue to be made. When we conclude that an other-than-temporary impairment has resulted, the difference between the fair value and carrying value is written off and recorded as a charge on the Consolidated Statement of Operations. The Company had no such investments, and no impairment was recorded as of June 30, 2023, or December 31, 2022.

Accounts receivable

The majority of the Company's accounts receivable are due from defense subcontractors, industrial manufacturers, fabricators, and resellers. Credit is extended based on an evaluation of the customer's financial condition. Accounts receivable are due based on contract terms and at stated amounts due from customers, net of an allowance for doubtful accounts. Losses from credit sales are provided for in the financial statements.

Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including length of time customer's account is past due, customer's current ability to pay and the condition of the general economy and industry as a whole. The Company writes off accounts receivable when they are deemed uncollectible and such write-offs, net of payments received, are recorded as a reduction to the allowance.

Grant receivable and grant revenue

Section 2301 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and its subsequent amendments in sections 206 and 207 of the Taxpayer Certainty and Disaster Tax Relief Act of 2020, provides for a refundable payroll tax credit (Employee Retention Credit or ERC) to eligible employers with less than 500 employees who paid qualified wages after March 12, 2020, and before June 30, 2021. During the quarter ended June 30, 2022, the Company determined that although it did not meet the eligibility conditions during the period beginning March 12, 2020, and ending December 31, 2020, it did qualify to claim the ERC for the periods ending March 31, 2021, and June 30, 2021. As such, the Company recorded Grant Revenue and Grants Receivable of approximately $250,000 related to its pending ERC claim at that time, analogous to ASC Subtopic 958-605. In July of 2023, the Company received payment of approximately $126,000 relating to its ERC claim for the quarter ended June 30, 2021. That portion of the grant receivable appears as a current asset as of June 30, 2023. Since the Company does not expect to receive the funds for the balance of the ERC claim for at least twelve months, that portion of the grant receivable remains classified as a non-current asset on its balance sheet.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On June 15, 2023, Michael Mikolajczyk tendered his resignation as a director, which became effective on June 30, 2023. On the same date, pursuant to a separation agreement, Mr. Mikolajczyk was paid $56,000 for the assignment to the Company by Mr. Mikolajczyk of 27,481 shares of common stock of the Company held by Mr. Mikolajczyk.

On February 20, 2023, Timothy Brog tendered his resignation as a director, which became effective on February 22, 2023. Pursuant to a separation agreement, Mr. Brog was paid $112,000 for the assignment to the Company by Mr. Brog of 57,593 shares of common stock of the Company held by Mr. Brog. As of March 31, 2023, 52,624 of those shares had been assigned to the Company. The balance of the shares were assigned in the second quarter of 2023.

In November 2018, the Company's Board of Directors authorized a program to repurchase up to $3,000,000 of its common stock. In July 2020, the Company used all of the original authorized $3,000,000.

On December 14, 2020, Rubicon's Board of Directors authorized an additional $3,000,000 for the repurchase of the Company's common stock. The Company's share repurchase program does not obligate it to acquire any specific number of shares. The timing, price, and volume of repurchases will be based on market conditions, relevant securities laws, and other factors. The stock repurchases may be made from time to time, through solicited or unsolicited transactions in the open market, in privately negotiated transactions or pursuant to a Rule 10b5-1 plan. The program may be terminated, suspended, or modified at any time. There can be no assurance as to the number of shares of common stock repurchased. The Company records treasury stock purchases under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock.

Inventories

Finished goods inventory and related production materials are valued at the lower of cost or net realizable value. Net realizable value is determined based on an estimated selling price in the ordinary course of business less reasonably predictable costs of completion and disposal. Raw materials cost is determined using the first-in, first-out method. Work-in-process and finished goods costs for inventory manufactured in-house were determined on a standard cost basis, which included materials, labor, and manufacturing overhead. The Company reduces the carrying value of its inventories for differences between the cost and the estimated net realizable value, taking into account usage, expected demand, technological obsolescence, and other information.

The Company establishes inventory reserves when conditions exist that suggest inventory may be in excess of anticipated demand or is obsolete based on customer specifications. The Company evaluates the ability to realize the value of its inventory based on a combination of factors, including forecasted sales, estimated current and future market value and changes in customers' product specifications. The Company's method of estimating excess and obsolete inventory has remained consistent for all periods presented.

Inventories of continuing operations consisted of the following:

	June 30, 2023	December 31, 2022
	(in thousands)	
Raw materials	$ —	$ 367
Work-in-process	377	379
Finished goods	87	229
	$ 464	$ 975

Discontinued operations had no inventories as of June 30, 2023, and December 31, 2022, respectively.

As of June 30, 2023, and December 31, 2022, the Company made the determination that certain raw material and work in process inventories were such that the likelihood of significant usage within the current year was doubtful and classified such inventories as non-current in the reported financial statements. During the second quarter of 2023, the Company determined that $367,000 of its non-current raw materials were obsolete. An additional reserve was established for this inventory and charged to cost of goods sold.

(in thousands, except per share information)

Property and equipment and assets held for sale

Property and equipment consisted of the following:

	June 30, 2023	December 31, 2022
Machinery, equipment and tooling	$ 3,263	$ 3,263
Buildings	1,711	1,711
Information systems	819	819
Land and land improvements	594	594
Furniture and fixtures	7	7
Total cost	6,394	6,394
Accumulated depreciation and amortization	(4,263)	(4,212)
Property and equipment, net	$ 2,131	$ 2,182

On June 16, 2023, Rubicon Technology BP LLC, whose sole member and manager is the Company, entered into a Purchase and Sale Agreement (the "Purchase Agreement") with Hamilton Partners, Inc. for the sale of the property commonly known as 900 East Green Street, Bensenville, IL 60106, for a total cash consideration of $2,974,000. As part of the Purchase Agreement, the Company will lease back a portion of the property to continue its operations. The sale is expected to close during the third quarter of 2023. On July 25, 2023, the Company auctioned off equipment for net proceeds of approximately $300,000. The net book value of these assets at June 30, 2023, was $2,131,000. All of these assets meet the requirements of assets held for sale and are classified as such in the current asset section of the balance sheet.

Discontinued operations had no property and equipment as of June 30, 2023, and December 31, 2022, respectively.

Depreciation and amortization on property and equipment included in the unaudited interim Condensed Consolidated Statements of Income amounted to $28,000 and $54,000, respectively for the three and six months ended June 30, 2023, and $30,000 and $60,000 during the comparable three and six months in 2022.

Long-lived assets

When circumstances, such as adverse market conditions, indicate that the carrying value of a long-lived asset may be impaired, the Company performs an analysis to review the recoverability of the asset's carrying value. The Company makes estimates of the undiscounted cash flows (excluding interest charges) from the expected future operations of the asset. These estimates consider factors such as expected future operating income, operating trends and prospects, as well as the effects of demand, competition, and other factors. If the analysis indicates that the carrying value is not recoverable from future cash flows, an impairment loss is recognized to the extent that the carrying value exceeds the estimated fair value. The estimated fair value of assets is determined using appraisal techniques, which assume the highest and best use of the asset by market participants, considering the use of the asset that is physically possible, legally permissible, and financially feasible at the measurement date. Any impairment losses are recorded as operating expenses which reduce net income.

The Company reviewed the current fair value of its assets and concluded no adjustments were needed as of June 30, 2023, and December 31, 2022. The Company will continue to assess its long-lived assets to ensure the carrying amount of these assets is still appropriate given any changes in the asset usage, marketplace and other factors used in determining the current fair value.

The Company completed sales of excess consumable assets in the amount of approximately $642,000 during the three and six months ended June 30, 2023.

Current and long-term debt

The Company reports debt issuance costs as an adjustment to the carrying amount of the related debt in accordance with ASC 835-30-45. The amortization of such costs is included in interest expense for the period.

On August 15, 2022, Rubicon Technology BP LLC, a Delaware limited liability company (the "Borrower"), entered into a business loan agreement (the "Loan") and promissory note (the "Note") in the amount of $1,620,000 with American Community Bank & Trust (the "Lender"). The Borrower is a wholly owned subsidiary of the Company. The interest rate on the Note is 6% and it matures on August 15, 2027. The Note has a 25-year amortization schedule. Interest and principal payments will be made on a monthly basis and a balloon payment will be made upon the maturity of the Note. The Borrower may pay, without penalty, a portion or the entirety of the amount owed earlier than it is due. The Loan and Note have customary terms and provisions for default and increases in payment. As part of the Loan the Lender required approximately 12 months in "payment reserves" totaling $120,000 which are restricted from use by the Company until it can meet certain debt service ratio requirements. The Loan is secured by a real estate mortgage encumbering the property commonly known as 900 E. Green Street, Bensenville, IL. Rubicon Worldwide LLC, and the Company entered into unlimited commercial guaranty agreements in favor of the Lender. As of June 30, 2023, the Company is in compliance with all terms and covenants related to the Loan and Note.

ASC 205-20-45 requires segregation of any liabilities related to the disposal groups classified as held for sale on the balance sheet. If the disposal is expected to be consummated within one year of the balance sheet date, and the proceeds from the sale are expected to be used to reduce long-term borrowings, the liability should be classified as current. Since the long-term debt of the Company meets these requirements, it is classified as a current liability on the balance sheet at June 30, 2023.

The following table shows the net proceeds from the Loan:

	Proceeds From Mortgage Loan (in thousands)
Initial loan amount	$ 1,620
Loan costs	(22)
Escrow funding for property tax	(38)
Net proceeds from mortgage loan	$ 1,560

Current and long-term debt, net, are shown in the table below:

	June 30, 2023	December 31, 2022
	(in thousands)	
Mortgage note	$ 1,596	$ 1,611
Unamortized loan costs	17	20
Total debt	1,579	1,591
Less: short-term portion	1,579	25
Long-term portion	$ —	$ 1,566

Total interest and amortization expense on the Company's debt obligations during the three and six months ended June 30, 2023 and 2022, are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	(unaudited) (in thousands)			
Interest expense	$ 23	$ —	48	$ —
Amortization of loan costs	2	—	3	—
Total interest expense	$ 25	$ —	$ 51	$ —

Revenue recognition

The Company recognizes revenue in accordance with ASC Topic 606, *Revenue From Contracts with Customers* ("Topic 606"), when performance obligations under a purchase order or signed quotation are satisfied. The Company's business practice commits the Company to manufacture and deliver product upon acceptance of a customer's purchase order or signed quotation ("agreement"). The agreement with the customer includes specifications of the product to be delivered, price, expected ship date and payment terms. The Company's agreements generally do not contain variable, financing, rights of return or non-cash components. There are no up-front costs to develop the production process. The performance obligation is satisfied at the point in time (single performance obligation) when the product is manufactured to the customer's specification, as performance does not create an asset with an alternative use to the Company. Accordingly, the Company recognizes revenue when the product is shipped, and control of the product, title and risk of loss have been transferred to the customer. The Company grants credit terms considering normal collection risk. If there is doubt about collection, full prepayment for the order is required. Any payments received prior to shipment are recorded as deferred revenue and included in Advance Payments in the Consolidated Balance Sheets.

The Company does not provide maintenance or other services and it does not have sales that involve bill & hold arrangements, multiple elements, or deliverables. However, the Company does provide product warranty for up to 90 days, for which the Company has accrued a warranty reserve of $2,000 and $1,000 at June 30, 2023, and December 31, 2022, respectively.

Net income (loss) per common share

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per common share is computed by dividing net income (loss) by the weighted-average number of diluted common shares outstanding during the period. Diluted shares outstanding are calculated by adding to the weighted-average shares (a) any outstanding stock options based on the treasury stock method and (b) restricted stock units ("RSU").

Basic and diluted net income (loss) per common share for the three months ended June 30, 2023 and 2022, were $0.00 and $0.00 respectively. Basic and diluted net income (loss) per common share for the six months ended June 30, 2023 and 2022, were $(0.06) and $0.20 respectively. The Company had outstanding options exercisable into 300 and 4,050 shares of the Company's common stock at June 30, 2023, and June 30, 2022, respectively. Those shares would have been anti-dilutive at June 30, 2023, and would not have had a material effect on June 30, 2022.

New accounting pronouncements adopted

The Company has evaluated other recently issued accounting pronouncements and does not believe that any of these pronouncements will have a significant impact on the Company's consolidated financial statements and related disclosures.

NOTE 3. INVESTMENTS

When the Company invests its available cash, it primarily invests in U.S. Treasury securities, investment grade commercial paper, FDIC guaranteed certificates of deposit, common stock, equity-related securities, and corporate notes. Investments classified as available-for-sale debt securities are carried at fair value with unrealized gains and losses recorded in accumulated other comprehensive income (loss). Investments in equity securities are reported at fair value, with both realized and unrealized gains and losses recorded in other income (expense), in the Consolidated Statements of Operations. Investments in which we have the ability and intent, if necessary, to liquidate in order to support our current operations are classified as short-term.

The Company values its financial assets at fair value, defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

- Level 1—Quoted prices in active markets for identical assets or liabilities.

- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company had money market funds of $1,147,000 as of June 30, 2023. These assets were valued at quoted prices in active markets for identical assets or liabilities (Level 1). The Company had no short term investments at June 30, 2023.

NOTE 4. DISCONTINUED OPERATIONS: Closure of Direct Dose Rx

On June 24, 2021, the Company's Board of Directors decided to close its pharmacy operations, Rubicon DTP LLC, doing business as Direct Dose Rx. Immediately thereafter, Direct Dose Rx began transitioning its customers to other providers and began the process of closing its operations. Direct Dose was launched as a start-up pharmacy primarily to deliver medications and vitamins to patients being discharged from skilled nursing facilities. Based on the Company's review and analysis of ASC 205-20 Presentation of Discontinued Operations it concluded to present the discontinued operations separately.

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	(unaudited) (in thousands)			
Revenues (discontinued operations)	$ —	$ —	—	$ —
Operating (income) expense (discontinued operations)	1	(1)	1	(15)
Income (loss) from discontinued operations, net of taxes	$ (1)	$ 1	$ (1)	$ 15

NOTE 5. SIGNIFICANT CUSTOMERS

For the three months ended June 30, 2023, the Company had four customers individually that accounted for approximately 28%, 19%, 12%, and 12% of revenue. For the three months ended June 30, 2022, the Company had six customers individually that accounted for approximately 17%, 16%, 14%, 13%, 12% and 10% of revenue. No other customer accounted for 10% or more of the Company's revenues during the three months ended June 30, 2023 and 2022. We expect our sales to continue to be concentrated among a small number of customers. However, we also expect that our significant customers may change from time to time.

For the six months ended June 30, 2023, the Company had three customers individually that accounted for approximately 22%, 21%, and 13% of revenue. For the six months ended June 30, 2022, the Company had five customers individually that accounted for approximately 17%, 14%, 12%, 11% and 11% of revenue. No other customer accounted for 10% or more of the Company's revenues during the six months ended June 30, 2023 and 2022. We expect our sales to continue to be concentrated among a small number of customers. However, we also expect that our significant customers may change from time to time.

Customers individually representing more than 10% of trade receivables accounted for approximately 92% and 66% of accounts receivable as of June 30, 2023, and June 30, 2022, respectively.

NOTE 6. STOCKHOLDERS' EQUITY

Common shares reserved

As of June 30, 2023, the Company had reserved 300 shares of common stock for issuance upon the exercise of outstanding common stock options. Also, 320,273 shares of the Company's common stock were reserved for future grants of stock options and RSUs (or other similar equity instruments) under the Rubicon Technology, Inc. 2016 Stock Incentive Plan (the "2016 Plan") as of June 30, 2023.

NOTE 7. STOCK INCENTIVE PLANS

In August 2007, the Company adopted the Rubicon Technology Inc. 2007 Stock Incentive Plan, which was amended and restated effective in March 2011 (the "2007 Plan"), and which allowed for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock, RSUs, performance awards and bonus shares. The maximum number of shares that could be awarded under the 2007 Plan was 440,769 shares. Options granted under the 2007 Plan entitled the holder to purchase shares of the Company's common stock at the specified option exercise price, which could not be less than the fair value of the common stock on the grant date. On June 24, 2016, the plan terminated with the adoption of the Rubicon Technology, Inc. 2016 Stock Incentive Plan, (the "2016 Plan"). Any existing awards under the 2007 Plan remain outstanding in accordance with their current terms under the 2007 Plan.

In June 2016, the Company's stockholders approved adoption of the 2016 Plan effective as of March 17, 2016, which allows for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock, RSUs, performance awards and bonus shares. The Compensation Committee of the Board administers the 2016 Plan. The committee determines the type of award to be granted, the fair value, the number of shares covered by the award, and the time when the award vests and may be exercised.

Pursuant to the 2016 Plan, 320,273 shares of the Company's common stock plus any shares subject to outstanding awards under the 2007 Plan that subsequently expire unexercised, are forfeited without the delivery of shares, or are settled in cash, will be available for issuance under the 2016 Plan. The 2016 Plan will automatically terminate on March 17, 2026, unless the Company terminates it sooner.

(in thousands, except per share information)

The following table summarizes the activity of the stock incentive and equity plans as of June 30, 2023, and changes during the six months then ended:

	Shares available for grant	Number of options outstanding	Weighted-average option exercise price	Number of restricted stock and board shares issued	Number of RSUs outstanding
At January 1, 2023	320,273	300	$ 44.10	99,570	—
Granted	—	—		—	—
Exercised/issued	—	—		—	—
Cancelled/forfeited	—	—		—	—
Outstanding at June 30, 2023	320,273	300	$ 44.10	99,570	—

The Company's aggregate intrinsic value is calculated as the difference between the exercise price of the underlying stock options and the fair value of the Company's common stock. Based on the fair value of the common stock at June 30, 2023, there was $0 of intrinsic value arising from 300 out of the money stock options exercisable and outstanding.

As of September 2020, all options had had been fully expensed. As such, there is no stock compensation expense or unrecognized compensation expense related to stock options as of June 30, 2023 and 2022. As of June 30, 2023, and December 31, 2022, the Company did not have any non-vested options.

The Company had no RSUs outstanding at June 30, 2023, and December 31, 2022.

For the three and six months ended June 30, 2023 and 2022, the Company did not recognize any expense for the granting of shares to employees of the Company as a bonus.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Litigation

From time to time, the Company experiences routine litigation in the normal course of its business. The management of the Company does not believe any pending litigation will have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. The full impact of the COVID-19 outbreak is unknown and cannot be reasonably estimated. The magnitude and duration of the COVID-19 outbreak, as well as other factors, could result in a material impact on the Company's financial statements in future reporting periods.

NOTE 9. INCOME TAXES

In 2017, the U.S. enacted the Tax Cuts and Jobs Act (the "Act") which, among other provisions, reduced the U.S. corporate tax rate from 35% to 21% effective January 1, 2018. The SEC issued guidance, Staff Accounting Bulletin 118, on accounting for the tax effects of the Act. The guidance allows the Company to record provisional amounts for those impacts, with the requirement that the accounting be completed in a period not to exceed one year from the date of enactment. The Company has completed its accounting for the tax effects of the enactment of the Act. The deemed inclusion from the repatriation tax increased from $3,900,000 at the time of provision to $5,000,000 at the time the calculation was finalized for the tax return. The increase of the inclusion related primarily to the refinement of Malaysia earnings and profits. As the Company is in a full valuation allowance position, an equal benefit adjustment was recorded for the impact of the increase of the deemed repatriation tax.

The Company is subject to taxation in the U.S. and in U.S. state jurisdictions. The Company assesses the recoverability of deferred tax assets and the need for a valuation allowance. Such evaluations involve the application of significant judgment, and multiple factors, both positive and negative, are considered. The Company is in a cumulative loss position for the past three years, which is considered significant negative evidence that is difficult to overcome on a “more likely than not” standard through objectively verifiable data. Under the accounting standards, objective verifiable evidence is given greater weight than subjective evidence such as the Company’s projections for future growth. Based on an evaluation in accordance with the accounting standards, as of December 31, 2015, a valuation allowance has been recorded against the net U.S. deferred tax assets in order to measure only the portion of the deferred tax assets that are more likely than not to be realized based on the weight of all available evidence. At June 30, 2023, the Company continues to be in a three-year cumulative loss position, therefore, until an appropriate level of profitability is attained, the Company expects to maintain a full valuation allowance on its U.S. net deferred tax assets. Any U.S. tax benefits or tax expense recorded on the Company’s consolidated statements of operations will be offset with a corresponding adjustment from the use of the net operating loss (“NOL”) carry-forward asset which currently has a full valuation allowance. In the event that the Company changes its determination as to the amount of deferred tax assets that can be realized, the Company will adjust its valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

Due to the sale of Rubicon’s Malaysian operations in 2020, a Malaysian withholding tax may be payable to the Malaysian government on the interest portion of a loan with the Malaysian subsidiary. Currently, the Company is trying to determine whether, and the extent to which, it has a Malaysian withholding tax obligation. It is performing related due diligence wit Malaysian tax experts to resolve the issue and has recorded an appropriate liability for the potential tax obligation.

NOTE 10. SEGMENT INFORMATION

The Company has determined that it operates in two segments, the sapphire and pharmacy (until June 2021) businesses. The tables below include only information related to the continuing operations of the Company’s sapphire business.

The following table presents our revenues disaggregated by geography:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	(in thousands)		(in thousands)	
North America	$ 313	$ 643	$ 917	$ 1,411
Asia	3	133	76	326
Europe	92	29	105	40
Total revenue	$ 408	$ 805	$ 1,098	$ 1,777

For the three and six months ended June 30, 2023 and 2022, all revenues from continuing operations were from the sale of optical sapphire products. Substantially all of the Company's assets are located in the United States.

NOTE 11. SUBSEQUENT EVENTS

On July 25, 2023, the Company auctioned off equipment for net proceeds of approximately $300,000.

EXHIBIT 9.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

I, Joseph Ferrara, Executive Officer and Chief Financial Officer of Rubicon Technology, Inc., certify that:

1. I have reviewed this Quarterly Report of Rubicon Technology, Inc.;

2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Quarterly Report.

/s/ Joseph Ferrara
Joseph Ferrara
Executive Officer and Chief Financial Officer

August 14, 2023
Date