UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark one)
☒ **Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

for the quarterly period ended March 31, 2017

or

☐ **Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

for the transition period from __________to __________

Commission file number 001-33834

RUBICON TECHNOLOGY, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**36-4419301**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
900 East Green Street Bensenville, Illinois	**60106**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's Telephone Number, Including Area Code: (847) 295-7000

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of May 8, 2017 the Registrant had 2,710,239 shares of common stock, par value $0.001 per share, outstanding.

RUBICON TECHNOLOGY, INC.

Quarterly Report on Form 10-Q
For the quarterly period ended March 31, 2017

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PART I FINANCIAL INFORMATION

ITEM 1. Consolidated Financial Statements

Rubicon Technology, Inc.

Consolidated balance sheets

	March 31, 2017	December 31, 2016
	(unaudited) (in thousands, other than share data)	
Assets		
Cash and cash equivalents	$ 18,367	$ 17,672
Restricted cash	165	163
Accounts receivable, net	760	2,585
Inventories	7,227	8,000
Other inventory supplies	1,317	1,486
Prepaid expenses and other current assets	1,387	1,082
Assets held for sale	16,595	14,761
Total current assets	45,818	45,749
Property and equipment, net	2,486	7,110
Other assets	47	154
Total assets	$ 48,351	$ 53,013
Liabilities and stockholders' equity		
Accounts payable	$ 710	$ 948
Accrued payroll	570	182
Accrued and other current liabilities	562	602
Corporate income and franchise taxes	456	568
Accrued real estate taxes	300	241
Advance payments	19	23
Total current liabilities	2,617	2,564
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $0.001 par value, 5,000,000 undesignated shares authorized, no shares issued or outstanding	—	—
Common stock, $0.001 par value, 8,200,000 shares authorized and 2,865,374 and 2,860,367 shares issued; 2,687,889 and 2,682,882 shares outstanding	29	29
Additional paid-in capital	375,239	374,903
Treasury stock, at cost, 177,484 shares	(12,148)	(12,148)
Accumulated other comprehensive loss	(8)	(30)
Accumulated deficit	(317,378)	(312,305)
Total stockholders' equity	45,734	50,449
Total liabilities and stockholders' equity	$ 48,351	$ 53,013

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

Rubicon Technology, Inc.

Consolidated statements of operations

	Three months ended March 31, 2017	Three months ended March 31, 2016
	(unaudited) (in thousands, other than share and per share data)	
Revenue	$ 1,269	$ 4,287
Cost of goods sold	2,850	9,706
Gross loss	(1,581)	(5,419)
Operating expenses:		
General and administrative	1,811	1,767
Sales and marketing	244	391
Research and development	641	579

	2017	2016
Loss on disposal of assets	749	—
Loss from operations	(5,026)	(8,156)
Other income (expense):		
Interest income	6	24
Interest expense	—	(35)
Realized gain on foreign currency translation	6	683
Total other income	12	672
Loss before income taxes	(5,014)	(7,484)
Income (expense) tax benefit	(60)	151
Net loss	$ (5,074)	$ (7,333)
Net loss per common share		
Basic	$ (1.90)	$ (2.80)
Diluted	$ (1.90)	$ (2.80)
Weighted average common shares outstanding used in computing net loss per common share basic and diluted	2,673,474	2,622,661

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

Rubicon Technology, Inc.

Consolidated statements of comprehensive loss

	Three months ended March 31,	
	2017	**2016**
	(unaudited) (in thousands)	
Net loss	$ (5,074)	$ (7,333)
Other comprehensive income:		
Unrealized gain on investments, net of tax	12	5
Unrealized gain (loss) on currency translation	10	(2)
Other comprehensive income	22	3
Comprehensive loss	$ (5,052)	$ (7,330)

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

Rubicon Technology, Inc.

Consolidated statements of cash flows

	Three months ended March 31,	
	2017	**2016**
	(unaudited) (in thousands)	
Cash flows from operating activities		
Net loss	$ (5,074)	$ (7,333)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	570	1,642
Net loss on disposal of assets	749	—
Stock-based compensation	398	370
Deferred taxes	—	(159)
Changes in operating assets and liabilities:		
Accounts receivable	1,825	(199)
Inventories	773	1,219
Other inventory supplies	46	328
Prepaid expenses and other assets	(198)	647
Accounts payable	(227)	123
Accrued payroll	386	64
Corporate income and franchise taxes	(111)	(148)
Advanced payments	(4)	7
Accrued and other current liabilities	(9)	(948)
Net cash used in operating activities	(876)	(4,387)
Cash flows from investing activities		
Purchases of property and equipment	—	(549)
Proceeds from disposal of assets	1,594	—
Purchases of investments	4	—
Proceeds from sale of investments	8	5,785
Net cash provided by investing activities	1,606	5,236
Cash flows from financing activities		
Taxes paid related to net share settlement of equity awards	(8)	(1)
Restricted cash	(2)	(16)
Net cash used in financing activities	(10)	(17)

Net effect of currency translation	(25)	(758)
Net increase in cash and cash equivalents	695	74
Cash and cash equivalents, beginning of period	17,672	21,216
Cash and cash equivalents, end of period	$ 18,367	$ 21,290

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

Rubicon Technology, Inc.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017

1. BASIS OF PRESENTATION

Interim financial data

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of 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, 2016. 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 three-month period ended March 31, 2017 are not necessarily indicative of results that may be expected for the year ending December 31, 2017.

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, Rubicon Sapphire Technology (Malaysia) SDN BHD, Rubicon Technology Hong Kong Limited and Rubicon Technology Korea Yuhan Hosea. All intercompany transactions and balances have been eliminated in consolidation.

Foreign currency translation and transactions

Rubicon Worldwide LLC, Rubicon Technology Hong Kong Limited and Rubicon Technology Korea Yuhan Hosea's assets and liabilities are translated into U.S. dollars at exchange rates existing at the respective balance sheet dates and capital accounts at historical exchange rates. The results of operations are translated into U.S. dollars at the average exchange rates during the respective periods. Translation adjustments resulting from fluctuations in exchange rates for Rubicon Worldwide LLC, Rubicon Technology Hong Kong Limited and Rubicon Technology Korea Yuhan Hosea are recorded as a separate component of accumulated other comprehensive income (loss) within stockholders' equity.

The Company has determined that the functional currency of Rubicon Sapphire Technology (Malaysia) SDN BHD is the U.S. dollar. Rubicon Sapphire Technology (Malaysia) SDN BHD's assets and liabilities are translated into U.S. dollars using the remeasurement method. Non-monetary assets are translated at historical exchange rates and monetary assets are translated at exchange rates existing at the respective balance sheet dates. Translation adjustments for Rubicon Sapphire Technology (Malaysia) SDN BHD are included in determining net income (loss) for the period. The results of operations are translated into U.S. dollars at the average exchange rates during the respective period. The Company records these gains and losses in other income (expense).

Foreign currency transaction gains and losses are generated from the effects of exchange rate changes on transactions denominated in a currency other than the functional currency of the Company, which is the U.S. dollar. Gains and losses on foreign currency transactions are generally required to be recognized in the determination of net loss for the period. The Company records these gains and losses in other income (expense).

Going Concern

The Company evaluates whether it is probable that known conditions or events, considered in the aggregate, would raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued. If such conditions or events are identified, the Company prepares mitigation plans to alleviate the doubt or a statement of the substantial doubt about the Company's ability to continue as a going concern. The Company's negative financial trends of recurring operating losses and negative cash flow from operating activities are considered conditions or events that raise substantial doubt about the Company's ability to continue as a going concern. The Company has plans in place that are considered as probable to effectively mitigate the adverse conditions. Activities around the Company's restructuring and mitigation plans are more fully disclosed below under assets held for sale and long-lived assets.

Investments

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

The Company reviews its available-for-sale securities investments at the end of each quarter for other-than-temporary declines in fair value based on the specific identification method. The Company considers 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, its ability and intent to hold the investment for a 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 the Company concludes 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.

Accounts receivable

The majority of the Company's accounts receivable is due from manufacturers serving the optical systems and specialty electronics devices industries. 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.

Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time past due, the 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 payments subsequently received on such receivables are recorded as a reduction to bad debt expense. The following table shows the activity of the allowance for doubtful accounts:

	March 31, 2017	December 31, 2016
	(in thousands)	
Beginning balance	$ 31	$ 389
Charges to costs and expenses	(24)	(235)
Accounts charged off, less recoveries	—	(123)
Ending balance	$ 7	$ 31

Inventories

Inventories are valued at the lower of cost or market. Raw materials cost is determined using the first-in, first-out method, and work-in-process and finished goods costs are determined on a weighted-average cost basis which includes materials, labor and 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.

At times in 2016, the Company has accepted sales orders for core and wafer products at prices lower than cost. Based on these sales prices, the Company has recorded for the three months ended March 31, 2016, a lower of cost or market adjustment which reduced inventory and increased cost of goods sold by $1.1 million. The Company did not record any additional lower of cost or market adjustments for the three months ended March 31, 2017.

Inventories are composed of the following:

	March 31, 2017	December 31, 2016
	(in thousands)	
Raw materials	$ 2,548	$ 3,112
Work-in-process	3,743	4,251
Finished goods	936	637
	$ 7,227	$ 8,000

Property and equipment

Property and equipment consisted of the following:

	March 31, 2017	December 31, 2016
	(in thousands)	
Machinery, equipment and tooling	$ 8,723	$ 17,769
Leasehold improvements	4,624	4,624
Information systems	878	991
Furniture and fixtures	260	699
Construction-in-progress	263	263
Total cost	14,748	24,346
Accumulated depreciation and amortization	(12,262)	(17,236)
Property and equipment, net	$ 2,486	$ 7,110

Assets held for sale and 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.

In the third quarter of 2016, the Company announced its decision to limit its focus to the optical and industrial sapphire markets and to exit the LED market. This resulted in closing of the Malaysia facility. The Company evaluated its Malaysia asset portfolio based on assuming an orderly liquidation plan. Based on this review, the Company recorded for the year ended December 31, 2016 an asset impairment charge on its Malaysia machinery, equipment and facilities. In the fourth quarter of 2016, the Company developed a plan to scale down the remaining operations and sell additional assets that would not be needed. In this regard, the Company identified excess U.S. machinery, equipment and facilities. Based on these reviews, the Company recorded for the year ended December 31, 2016 an asset impairment charge on its Malaysia and U.S. machinery, equipment and facilities of $26.6 million.

In the first quarter of 2017, the Company held auctions for the sale of certain equipment located in Batavia, Illinois, and Malaysia, resulting in the sale of a portion of the excess U.S. and some of the Malaysia equipment reducing the net book value of machinery and equipment by $2.3 million. Unsold equipment, including excess crystal growth furnaces, was classified as current assets held for sale at March 31, 2017.

The Company is seeking to sell a manufacturing and office facility in Batavia, Illinois, a parcel of extra land the Company owns in Batavia, Illinois, and a facility in Penang, Malaysia. Although the Company cannot assure the timing of this sale, as it is the Company's intention to complete the sale within the next twelve-month period, these properties were classified as current assets held for sale at March 31, 2017 and December 31, 2016.

At March 31, 2017, the Company reviewed the current fair market value of its assets and concluded no additional adjustments were needed. 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 market value.

The Company cannot guarantee that it will be able to successfully complete the sale of any assets.

Revenue recognition

Revenues recognized include product sales and billings for costs and fees for government contracts.

Product Sales

The Company recognizes revenue from product sales when earned. Revenue is recognized when, and if, evidence of an arrangement is obtained and the other criteria to support revenue recognition are met, including:

- *Persuasive evidence of an arrangement exists*. The Company requires evidence of a purchase order with the customer specifying the terms and specifications of the product to be delivered, typically in the form of a signed quotation or purchase order from the customer.
- *Title has passed and the product has been delivered*. Title passage and product delivery generally occur when the product is delivered to a common carrier.
- *The price is fixed or determinable*. All terms are fixed in the signed quotation or purchase order received from the customer. The purchase orders do not contain rights of cancellation, return, exchange or refund.
- *Collection of the resulting receivable is reasonably assured.* The Company's standard arrangement with customers includes payment terms. Customers are subject to a credit review process that evaluates each customer's financial position and its ability to pay. Collectability is determined by considering the length of time the customer has been in business and history of collections. If it is determined that collection is not probable, no product is shipped and no revenue is recognized unless cash is received in advance.

Government Contracts

The Company recognizes research and development revenue in the period during which the related costs are incurred over the contractually defined period. In July 2012, the Company signed a contract with the Air Force Research Laboratory to produce large-area sapphire windows on a cost plus fixed fee basis. The Company records research and development revenue on a gross basis as costs are incurred plus a portion of the fixed fee. For the three months ended March 31, 2017 and 2016, $26,000 and $97,000 of revenue was recognized, respectively. The total value of the contract is $4.7 million, of which $4.3 million has been recorded through March 31, 2017. For the year ended December 31, 2016, the Company recorded estimated costs expected to be incurred in excess of this contract value of $217,000. No additional adjustments for the excess contract costs were recorded for the three months ended March 31, 2017.

The Company does not provide maintenance or other services and it does not have sales that involve multiple elements or deliverables.

Net loss per common share

Basic net income per common share is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted net income per common share is computed by dividing net income 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 any outstanding stock options and warrants based on the treasury stock method.

Diluted net loss per share is the same as basic net loss per share for the three months ended March 31, 2017 and 2016 because the effects of potentially dilutive securities are anti-dilutive.

As of March 31, 2017 and 2016, diluted shares outstanding were the same as basic shares outstanding as the exercise price of outstanding stock options exceeded the weighted-average trading share price.

Other comprehensive loss

Comprehensive loss is defined as the change in equity of a business enterprise from transactions and other events from non-owner sources. Comprehensive loss includes net earnings (loss) and other non-owner changes in equity that bypass the statement of operations and are reported in a separate component of equity. For the three months ended March 31, 2017, other comprehensive loss included foreign currency translation adjustments. For the twelve months ended December 2016, other comprehensive loss included the unrealized loss on investments and foreign currency translation adjustments.

The following table summarizes the components of comprehensive loss:

	March 31, 2017	December 31, 2016
	(in thousands)	
Unrealized loss on investments (net of taxes)	$ —	$ (12)
Unrealized loss on currency translation	(8)	(18)
Ending balance	$ (8)	$ (30)

New accounting pronouncements adopted

In March 2016, the FASB issued ASU No. 2016-09 ("ASU 2016-09"), *Compensation—Stock Compensation* (*Topic 718): Improvements to Employee Share-Based Payment Accounting* which modifies several aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The Company adopted ASU 2016-09 at January 1, 2017, and the impact of adopting ASU 2016-09 for the three months ended March 31, 2017 was that the Company was required to bring the deferred tax assets related to off balance net operating losses onto the balance sheet. This increased the Company's deferred tax assets by $10.3 million with a corresponding entry to retained earnings. Since the Company continues to be in a full valuation allowance, there was an entry made to the valuation allowance to offset the increase to the deferred tax assets with a corresponding entry to retained earnings.

Recent accounting pronouncements

In January 2016, the FASB issued ASU No. 2016-01 ("ASU 2016-01"), *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.* The standard requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, requires public business entities to use

the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset, and eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. These changes become effective for fiscal years beginning after December 15, 2017. The Company is evaluating the impact, if any, of adopting ASU 2016-01 on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02 ("ASU 2016-02"), *Leases (Topic 842)* which modifies the lease recognition requirements and requires entities to recognize the assets and liabilities arising from leases on the balance sheet. ASU 2016-02 requires entities to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted. The Company is evaluating the impact, if any, of adopting ASU 2016-02 on its financial statements.

In April 2016, the FASB issued ASU No. 2016-10 ("ASU 2016-10"), *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing.* This update clarifies how an entity identifies performance obligations related to customer contracts as well as helps to improve the operability and understanding of the licensing implementation guidance. The amendments in this update affect the guidance in ASU No. 2014-09, ("ASU 2014-09"), *Revenue from Contracts with Customers (Topic 606),* which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is effective for the interim and annual periods beginning on or after December 15, 2017 (early adoption is not permitted). The guidance permits the use of either a retrospective or cumulative effect transition method. In May 2016, the FASB issued ASU No. 2016-12, ("ASU 2016-12"), Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients. This update clarifies the objectives of collectability, sales and other taxes, noncash consideration, contract modifications at transition, completed contracts at transition and technical correction. The amendments in this update affect the guidance in ASU 2014-09. While the Company is currently assessing the impact of the new standards, the Company's revenue is primarily generated from the sale of finished products to customers. Sales predominantly contain a single delivery element and revenue is recognized at a single point in time when ownership, risks, and rewards transfer. These are largely unaffected by the new standard. The Company does not expect this new guidance to have a material impact on the amount of overall sales recognized; however, the timing of sales on certain projects may be affected. The Company has not yet quantified this potential impact.

In August 2016, the FASB issued ASU No. 2016-15 ("ASU 2016-15"), *Statement of Cash Flows (Topic230): Classification of Certain Cash Receipts and Cash Payments* which adds or clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows. The standard addresses eight specific cash flow issues with the objective of reducing diversity in practice. ASU 2016-15 is effective for the interim and annual periods beginning after December 15, 2017 with early adoption permitted. The Company is in the process of performing its initial assessment of the potential impact on its Consolidated Financial Statements and has not decided on its adoption methodology. The Company is evaluating the impact, if any, of adopting ASU 2016-15 on its financial statements.

In January 2017, the FASB issued ASU No. 2017-01 ("ASU 2017-01"), *Business Combinations (Topic 805): Clarifying the Definition of a Business*. This update clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposal) of assets or businesses. The update provides new guidance to determine when an integrated set of assets and activities (collectively referred to as a "set") is not a business. The guidance requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. ASU 2017-01 is effective for the interim and annual periods beginning after December 15, 2017 with early adoption permitted. The Company is evaluating the impact, if any, of adopting ASU 2017-01 on its financial statements.

3. SEGMENT INFORMATION

The Company evaluates operations as one reportable segment, as it only reports profit and loss information on an aggregate basis to its chief operating decision maker.

Revenue is attributed by geographic region based on ship-to location of the Company's customers. The following table summarizes revenue by geographic region:

	Three months ended March 31,	
	2017	**2016**
	(in thousands)	
United States	$ 796	$ 1,111
Israel	216	171
Korea	—	422
Australia	—	412
Canada	203	233
Germany	12	1,538
Other	42	400
Revenue	$ 1,269	$ 4,287

The following table summarizes revenue by product type:

	Three months ended March 31,	
	2017	**2016**
	(in thousands)	
Optical	$ 1,218	$ 1,404
Core	15	441
Wafer	10	2,345
Research & development	26	97
Revenue	$ 1,269	$ 4,287

The following table summarizes assets by geographic region:

	March 31, 2017	December 31, 2016
	(in thousands)	
United States	$ 42,868	$ 47,171
Malaysia	5,466	5,811
Other	17	31
Total assets	$ 48,351	$ 53,013

4. INVESTMENTS

Company's investments are classified as available-for-sale securities and are carried at fair market value with unrealized gains and losses recorded in accumulated other comprehensive income (loss). The Company did not have any short-term investments as of March 31, 2017 and December 31, 2016.

The Company values its investments 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 below 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.

- 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 following table summarizes the Company's financial assets measured at fair value on a recurring basis as of March 31, 2017:

	Level 1	Level 2	Level 3	Total
		(in thousands)		
Cash equivalents:				
Money market funds	$ 10,960	$ —	$ —	$ 10,960

The following table summarizes the Company's financial assets measured at fair value on a recurring basis as of December 31, 2016:

	Level 1	Level 2	Level 3	Total
		(in thousands)		
Cash equivalents:				
Money market funds	$ 10,949	$ —	$ —	$ 10,949

In addition to the money market funds above, the Company had approximately $7.4 million and $6.7 million of time deposits included in cash and cash equivalents as of March 31, 2017 and December 31, 2016, respectively.

5. SIGNIFICANT CUSTOMERS

For the three months ended March 31, 2017, the Company had four customers individually that accounted for approximately 16%, 16%, 15% and 11% of revenue. For the three months ended March 31, 2016, the Company had one customer individually that accounted for approximately 35% of revenue. No other customer accounted for 10% or more of the Company's revenues during the three months ended March 31, 2017 and 2016.

Customers individually representing more than 10% of trade receivables accounted for approximately 62% and 75% of accounts receivable as of March 31, 2017 and December 31, 2016, respectively. The Company grants credit to customers based on an evaluation of their financial condition. Losses from credit sales are provided for in the financial statements.

6. STOCKHOLDERS' EQUITY

Common Stock

As further detailed in Note 11 Subsequent Events, on May 5, 2017, the Company effected a 1-for-10 reverse stock split of its common stock. All common stock and stock incentive plan information in these financial statements has been restated to reflect this split.

As of March 31, 2017, the Company had reserved 300,478 shares of common stock for issuance upon the exercise of outstanding common stock options and vesting of restricted stock units. Also, 198,532 shares of the Company's common stock were reserved for future grants of stock options and restricted stock units (or other similar equity instruments) under the Rubicon Technology, Inc. 2016 Stock Incentive Plan (the "2016 Plan") as of March 31, 2017.

7. STOCK INCENTIVE PLANS

The Company sponsored a stock option plan, the Rubicon Technology Inc. 2001 Equity Plan as amended (the "2001 Plan"), which allowed for the granting of incentive and nonqualified stock options for the purchase of common stock. The maximum number of shares that may be awarded or sold under the 2001 Plan was 144,967 shares. Each option granted under the 2001 Plan entitled the holder to purchase one share of common stock at the specified option exercise price. The exercise price of each incentive stock option granted could not be less than the fair market value on the grant date. Management and the Board of Directors (the "Board") determined vesting periods and expiration dates at the time of the grant. On August 2, 2011, the 2001 Plan expired. Any existing options under the 2001 Plan remain outstanding in accordance with their current terms under the 2001 Plan.

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, restricted stock units ("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 entitle 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 market 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 market 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, 222,980 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.

The Company uses the Black-Scholes option pricing model to value stock options issued after January 1, 2006. The Company uses a three-year historical stock price average to determine its volatility assumptions. The assumed risk-free rates were based on U.S. Treasury rates in effect at the time of grant with a term consistent with the expected option lives. The expected term is based upon the vesting term of the Company's options, a review of a peer group of companies, and expected exercise behavior. The forfeiture rate is based on past history of forfeited options. The expense is allocated using the straight-line method. For the three months ended March 31, 2017 and 2016, the Company recorded $205,000 and $161,000, respectively, of stock option compensation expense. As of March 31, 2017, the Company had $459,000 of total unrecognized compensation cost related to non-vested stock option awards granted under the Company's stock-based plans that it expects to recognize over a weighted-average period of 2.74 years.

The Company used a Monte Carlo simulation model valuation technique to determine the fair value of 59,098 RSUs granted to a key executive pursuant to an employment agreement in March 2017 because the awards vest based upon achievement of market price targets. The RSUs vest in the amounts set forth below on the first date the 15-trading day average closing price of the Company's common stock equals or exceeds the corresponding target price for the common stock before March 15, 2021.

Number of restricted stock units		Target price
15,000	$	6.50
15,000	$	8.00
15,000	$	9.50
14,098	$	11.00

When the terms of the negotiation of the terms of the employment agreement began, the closing price of the common stock was $5.50. On the date of grant, the closing price of the common stock was $6.30.

The Monte Carlo simulation model utilizes multiple input variables that determine the probability of satisfying the market condition stipulated in the award and calculates the fair value of each RSU. The Company used the following assumptions in determining the fair value of the RSUs:

Daily expected stock price volatility	4.4237%
Daily expected mean return on equity	(0.2226%)
Daily expected dividend yield	0.0%
Average daily risk free interest rate	0.0063%

The daily expected stock price volatility is based on a four-year historical volatility of the Company's common stock. The daily expected dividend yield is based on annual expected dividend payments. The average daily risk-free interest rate is based on the three-year treasury yield as of the grant date. Each of the tranches is calculated to have its own fair value and requisite service period. The fair value of each tranche is amortized over the requisite or derived service period which is up to four years. These RSUs had a grant date fair value of $322,623.

The following table summarizes the activity of the stock incentive and equity plans as of March 31, 2017 and changes during the three 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 restricted stock units outstanding**
At January 1, 2017	243,218	253,541	$	37.30	76,483	12,584
Granted	(65,261)	—		—	6,162	59,098
Exercised/issued	—	—		—	—	(4,158)
Cancelled/forfeited	20,575	(20,587)		67.39	—	—
At March 31, 2017	198,532	232,954	$	34.65	82,645	67,524

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 market value of the common stock at March 31, 2017 and 2016, there was no intrinsic value for options outstanding.

A summary of the Company's non-vested options during the three months ended March 31, 2017 is presented below:

	Options		**Weighted-average exercise price**
Non-vested at January 1, 2017	148,983	$	10.20
Granted	—		—
Vested	(27,258)		14.88
Forfeited	(7,625)		10.71
Non-vested at March 31, 2017	114,100	$	9.05

For the three months ended March 31, 2017 and 2016, the Company recorded $136,000 and $71,000, respectively, of restricted stock unit ("RSU") expense. As of March 31, 2017, there was $355,000 of unrecognized compensation cost related to the non-vested RSUs. This cost is expected to be recognized over a weighted-average period of 0.82 years.

A summary of the Company's restricted stock units is as follows:

	RSUs outstanding	Weighted average price at time of grant	Aggregate intrinsic value
Non-vested restricted stock units as of January 1, 2017	12,584	$ 16.00	
Granted	59,098	6.50	
Vested	(4,158)	13.80	
Cancelled	—	—	
Non-vested at March 31, 2017	67,524	$ 7.82	$ 528,095

For the three months ended March 31, 2017 and 2016, the Company recorded $57,000 and $138,000, respectively, of stock compensation expense related to restricted stock.

An analysis of restricted stock issued is as follows:

Non-vested restricted stock as of January 1, 2017	16,470
Granted	6,162
Vested	(15,280)
Non-vested restricted stock as of March 31, 2017	7,352

8. COMMITMENTS AND CONTINGENCIES

Litigation

From time to time, the Company experiences routine litigation in the normal course of its business. The Company currently does not have any material pending litigation.

9. INCOME TAXES

The Company is subject to income taxes in the U.S. and Malaysia. On a quarterly basis, 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. For the period ended March 31, 2017, a valuation allowance has been included in the 2017 forecasted effective tax rate. 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 the available evidence. At March 31, 2017, 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. and Malaysia net deferred tax assets. Any U.S. and Malaysia tax benefits or tax expense recorded on the Company's Consolidated Statement of Operations will be offset with a corresponding valuation allowance until such time that the Company changes its determination related to the realization of deferred tax assets. 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.

The tax provision for the three months ended March 31, 2017 is based on an estimated combined statutory effective tax rate. The Company recorded for the three months ended March 31, 2017 a tax expense of $60,000 for an effective tax rate of 1.0%. For the three months ended March 31, 2017 the difference between the Company's effective tax rate and the U.S. federal 35% statutory rate and state 6.2% (net of federal benefit) statutory rate was primarily related to U.S. and Malaysia valuation allowances, Malaysia foreign tax rate differential, and Malaysia withholding taxes on intercompany loan interest.

10. CREDIT FACILITY

In January 2013, the Company entered into a three-year term agreement with a bank to provide the Company with a senior secured credit facility of up to $25.0 million. The agreement provided for the Company to borrow up to 80% of eligible accounts receivable and up to 35% of domestically held raw material and finished goods inventory. Advances against inventory were limited to 40% of the aggregate outstanding on the revolving line of credit and $10.0 million in aggregate. The Company had the option to borrow at an interest rate of LIBOR plus 2.75% or the Wall Street Journal prime rate plus 0.50%. If the Company maintained liquidity of $20.0 million or greater with the lending institution, then the borrowing interest rate options were LIBOR plus 2.25% or the Wall Street Journal prime rate. There was an unused revolving line facility fee of 0.375% per annum. The facility was secured by a first priority interest in substantially all of the Company's personal property, excluding intellectual property. The Company was required to maintain an adjusted quick ratio of 1.40 to 1.00, maintain operating and other deposit accounts with the bank or bank's affiliates of 25% of the Company's total worldwide cash, securities and investments, and the Company could pay dividends or repurchase capital stock only with the bank's consent during the three-year term. In August 2015, the Company entered into an amended agreement with the bank to extend the senior secured facility through January 2018. Under the amended agreement, advances against inventory were limited to the lesser of 45% of the aggregate outstanding principal on the revolving line of credit and $10.0 million and the rate on facility fee on the unused portion of the revolving line was adjusted to 0.50% per annum. All other terms and conditions remained the same. The agreement contained a subjective acceleration clause and required the Company to maintain a lockbox. As a result, the Company had classified the debt as a current liability on its balance sheet.

In September 2016, the Company voluntarily terminated the loan agreement. Pursuant to the pay-off letter for termination of the loan agreement, upon payment of the pay-off amount, all obligations under the loan agreement were paid and discharged in full, all unfunded commitments by the bank to make credit extensions to the Company under the loan agreement were terminated, all security interests granted to or held by the bank under the loan agreement were released, and all guaranties supporting the loan agreement were released. The Company did not incur any early termination penalties in connection with the termination.

For the three months ended March 31, 2017, the Company incurred no interest expense. For the three months ended March 31, 2016, the Company recorded interest expense of $35,000, which includes $31,000 of interest expense charged on the unused portion of the facility.

11. SUBSEQUENT EVENTS

On April 19, 2017, the Company received a staff determination letter from the Listing Qualifications Department of NASDAQ informing the Company that it has failed to regain compliance with the minimum bid price requirement set forth in Listing Rule 5550(a)(2), and that the Company's common stock would be delisted from the NASDAQ Capital Market at the opening of business on April 28, 2017 unless the Company timely requested an appeal of this determination. On April 26, 2017, the Company submitted an appeal requesting a hearing before a NASDAQ listing qualifications panel. The delisting of the Company's securities has been stayed until the hearing is completed and the hearing panel has issued a written decision. The hearing date will be determined by NASDAQ and, to the extent practicable, would be scheduled within 45 calendar days from the date of the request

At the Company's annual meeting of stockholders held on May 3, 2017, the Company's stockholders approved, (i) an amendment to the Company's Eighth Amended and Restated Certificate of Incorporation (as amended, the "Certificate of Incorporation") to effect a reverse stock split of the Company's common stock in

a range of 1-for-10 to 1-for-20, such ratio to be determined in the sole discretion of the Board; and (ii) an amendment to the Certificate of Incorporation to decrease the Company's authorized number of shares of common stock to three times the number of shares of the Company's common stock outstanding immediately following the reverse stock split, rounded up to the nearest 100,000 shares. On May 3, 2017, following the annual meeting, the Board determined to effect the reverse stock split at a ratio of 1-for-10, and the Company filed with the Secretary of State of the State of Delaware a Certificate of Amendment to implement the reverse stock split. The amendment and the reverse stock split were effective on May 5, 2017.

As a result of the reverse stock split, every 10 shares of issued and outstanding common stock were automatically combined into one issued and outstanding share of common stock. Additionally, the number of authorized shares of common stock under the Certificate of Incorporation were reduced from 40,000,000 to 8,200,000 and, consequently the Company's total number of authorized shares of stock was reduced from 45,000,000 to 13,200,000.

Stockholders will receive cash in lieu of any fractional shares resulting from the reverse stock split in a proportionate amount equal to $0.78 per pre-split share based on the average closing price of the Common Stock for the 30 trading days immediately preceding the effective date of the reverse stock split.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

All statements, other than statements of historical facts, included in this Quarterly Report on Form 10-Q, 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, 2016 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 have filed with the SEC as exhibits and our Annual Report on Form 10-K, for the year ended December 31, 2016 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.

OVERVIEW

We are a vertically integrated, advanced materials provider specializing in monocrystalline sapphire for applications in optical and industrial systems. We apply our proprietary crystal growth technology to produce high-quality sapphire products to meet our customers exacting specifications. Historically, we have also provided sapphire products to the LED and mobile device markets, which are the largest markets for sapphire. However, given competitive pressures in those markets, in September 2016 we announced our decision to limit our focus in the near-term on the optical and industrial sapphire markets and exit the LED market. While these are smaller markets, we believe that due to more challenging customer requirements, competition is more limited and margin opportunities are greater. We believe the developing optical and industrial segments of the market require large diameter sapphire products, high quality sapphire and ultra-thin double side polished windows and wafers which many sapphire producers do not have the capability to provide. In addition, military applications often require a U.S. based source for sapphire. We believe that we continue to have a reputation as one of the highest quality sapphire producers in the market. We also have the ability to maintain that crystal quality while growing crystal in very large formats. We provide optical and industrial sapphire products in various shapes and sizes, including round and rectangular windows and blanks, domes, tubes and rods.

With the decision to exit the LED market, we stopped production activities in Penang, Malaysia in November 2016 and subsequently closed this plant in December 2016. Our wafer patterning equipment in Malaysia was sold in the fourth quarter of 2016. We held an auction in March 2017 in an effort to sell the polishing and fabrication equipment with mixed results. Since the March 2017 auction, we have continued to seek buyers for the remaining unsold equipment. Additionally, we are seeking to sell our Malaysia real estate. The timing of the sale of the equipment and real estate is difficult to predict. Following the decision to focus on smaller optical and industrial sapphire markets in the fourth quarter 2016, we evaluated our U.S. asset portfolio and determined that we now have excess crystal growth and fabrication capacity in the U.S. Consequently, we have consolidated operations into our leased spaces in Bensenville, Illinois and Franklin Park, Illinois and vacated our largest owned manufacturing and office facility in Batavia, Illinois. In March 2017, we held an auction to sell excess equipment from our Batavia facility. Other than our crystal growth furnaces, most of this equipment was sold. The plant itself is a special purpose facility with extensive enhancements to power and water-cooling systems required for crystal growth production. We are also actively seeking to sell this property and our initial focus is to find a buyer that is interested in both the building and improved infrastructure. Timing on the sale of this real estate as well as the crystal growth furnaces and equipment is also difficult to predict.

With the focus on smaller optical and industrial markets, the closing of our plant in Malaysia, and the consolidation of our operations in the U.S., our LED revenue has ceased. We anticipate that our sales will be almost exclusively from optical and industrial sapphire components. The following table summarizes optical revenue for each of the last three years:

Year ended December 31,	Optical revenue (in thousands)	% of total revenue
2016	$ 4,568	23%
2015	$ 5,086	21%
2014	$ 7,057	15%

We operate in an extremely volatile market, so our ability to expand our optical and industrial business and acceptance of new product offerings is difficult to predict.

In addition, our current optical and industrial sapphire business serves smaller markets than our historical undertakings, so we are actively evaluating the acquisition of profitable companies both in and outside of the sapphire market to utilize our substantial net tax operating loss carry-forwards. Because acquisitions are being given greater consideration, in February 2017, we commenced a search for a new CEO with more extensive experience in mergers and acquisitions. Timothy E. Brog was appointed as our new President and CEO, effective as of March 17, 2017. Mr. Brog has served on the Board since May 2016 and will continue to serve as a director of the Company. Mr. Brog replaced William Weissman, who was our President and CEO. Although the Company initially expected to enter into a consulting agreement with Mr. Weissman to provide certain transition services, the Company no longer expects such services will be required.

We recognize research and development revenue in the period during which the related costs and fees are incurred.

Historically, a significant portion of our revenue has been derived from sales to relatively few customers. For the three months ended March 31, 2017, we had four customers individually that accounted for approximately 16%, 16%, 15% and 11% of revenue. Our principal customers have historically been semiconductor device manufacturers and wafer polishing companies. For the three months ended March 31, 2016, we had one customer individually that accounted for approximately 35% of revenue. No other customer accounted for 10% or more of our revenues during the three months ended March 31, 2017 and 2016. 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.

We recognize revenue based upon shipping terms with our customers and from our government contract as costs and fees are incurred. 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. In most periods, the majority of our sales were to the European and Asian markets. We expect a major source of our future revenue to be from the North American market. All of our revenue and corresponding accounts receivable are denominated in U.S. dollars.

We currently outsource some of our production processes. If these outsourcing processes were to be disrupted or terminated, we may have difficulty in finding, or may be unable to find, alternative sources for these items. As a result, we may be unable to meet the demand for our products, which could have a material adverse impact on our business.

We manage direct sales primarily from our Bensenville, Illinois offices. Substantially all of our revenue is generated by our direct sales force and we expect this to continue in the future.

We manufacture and ship our products from our facilities in the Chicago metropolitan area. We have approximately 226,400 square feet of manufacturing and office space in Batavia, Franklin Park and Bensenville, Illinois and a 65,000 square foot facility in Penang, Malaysia. The Malaysia and Batavia facilities are currently held for sale. Also, additional land in Batavia, Illinois, is held for sale.

Our cost of goods sold consists primarily of manufacturing materials, labor, manufacturing-related overhead such as utilities, depreciation and rent, provisions for excess and obsolete inventory reserves, freight and warranties. We purchase materials and supplies to support such current and future demand. We are subject to variations in the cost of raw materials and consumables from period to period because we do not have long-term fixed-price agreements with most of our suppliers.

Our operating expenses are comprised of sales and marketing, research and development ("R&D"), and general and administrative ("G&A") expenses. G&A expenses consist primarily of compensation and associated costs for employees in finance, human resources, information technology and administrative activities, charges for accounting, legal, and insurance fees, and stock-based compensation. The majority of our stock-based compensation relates to administrative personnel and is accounted for as a G&A expense.

Other income (expense) consists of interest income, interest expense and realized gains and losses on investments and currency translation.

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 net operating loss ("NOL") carryforwards as of December 31, 2016, shows no impact on such utilization. We are 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. Based on an evaluation in accordance with the accounting standards, a valuation allowance has been recorded against the net U.S. and Malaysia 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 the available evidence. Until an appropriate level of profitability is attained, we expect to maintain a full valuation allowance on our U.S. and Malaysia net deferred tax assets. Any U.S. and Malaysia tax benefits or tax expense recorded on the Consolidated Statement of Operations will be offset with a corresponding valuation allowance until such time that we change our determination related to the realization of deferred tax assets. In the event that we change our determination as to the amount of deferred tax assets that can be realized, we will adjust our valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

We continue to review a variety of alternatives with a 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 or business segments, seeking additional financing, a sale of the business, a merger, consolidation or other business combination, partnering or other collaboration agreements, 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.

RESULTS OF CONSOLIDATED OPERATIONS THREE MONTHS ENDED MARCH 31, 2017 AND 2016

The following table sets forth our consolidated statements of operations for the periods indicated:

	Three months ended March 31,	
	2017	**2016**
	(in millions)	
Revenue	$ 1.3	$ 4.3
Cost of goods sold	2.9	9.7
Gross loss	(1.6)	(5.4)
Operating expenses:		
General and administrative	1.8	1.8
Sales and marketing	0.2	0.4
Research and development	0.6	0.6

Loss on disposal of assets	0.8	—
Total operating expenses	3.4	2.8
Loss from operations	(5.0)	(8.2)
Other income (expense)	—	0.7
Loss before income taxes	(5.0)	(7.5)
Income tax benefit (expense)	(0.1)	0.2
Net loss	$ (5.1)	$ (7.3)

The following table sets forth our consolidated statements of operations as a percentage of revenue for the periods indicated:

	Three months ended March 31,	
	2017	2016
	(percentage of total)	
Revenue	100%	100%
Cost of goods sold	223	226
Gross loss	(123)	(126)
Operating expenses:		
General and administrative	138	42
Sales and marketing	16	9
Research and development	46	14
Loss on disposal of assets	62	—
Total operating expenses	262	65
Loss from operations	(385)	(191)
Other income (expense)	—	17
Loss before income taxes	(385)	(174)
Income tax benefit	(7)	4
Net loss	(392)%	(170)%

Revenue. Revenue was $1.3 million and $4.3 million for the three months ended March 31, 2017 and 2016, respectively, a decrease of $3.0 million. As we have ceased all LED manufacturing activities and exited the LED market, we experienced lower revenue from sales of our LED products by $2.7 million. Revenue from optical and industrial sapphire business has declined due to fluctuations in demand for the three months ended March 31, 2017. Revenues from sales of optical blank products increased by $40,000 due to an increased demand from customers specializing in finishing and reselling optical products, as well as laboratories worldwide conducting research and development activities. We experienced lower revenue from sales of optical polished sapphire products of $124,000 due to a decreased demand from customers specializing in distributions and original equipment manufacturing. Revenue from sales of large diameter optical and industrial products decreased by $102,000 for the three months ended March 31, 2017.

As we are nearing the completion of our government contract, we have experienced a decrease of $71,000 in the R&D revenue attributable to this contract.

We operate in an extremely volatile market, so the amount of price or volume change and acceptance of new product offerings is difficult to predict.

Gross loss. Gross loss was $1.6 million and $5.4 million for the three months ended March 31, 2017 and 2016, respectively, a decrease in gross loss of $3.8 million, which was primarily attributable to our exit from the LED market and elimination of operations related to manufacturing of LED products, resulting in a decrease in gross loss of $2.9 million. For the three months ended March 31, 2017 and 2016, we were not operating at capacity due to lower demand, and recorded as an expense $1.2 million and $2.3 million, respectively of costs associated with the under-utilization of equipment and staff, a decrease of $1.1 million. This was partially offset by the costs of $212,000 incurred in connection with our restructuring and moving of manufacturing equipment from our Batavia facility to our leased Franklin Park and Bensenville facilities.

General and administrative expenses. General and administrative expenses were $1.8 million for each of the three months ended March 31, 2017 and 2016, respectively. For the three months ended March 2017, a decrease of $255,000 in employee compensation costs due to a reduced headcount, a decrease in the Board of Directors compensation costs of $81,000, a decrease in insurance costs of $59,000 on renegotiated contracts, a decrease in recruiting costs of $35,000 and a decrease in investor relations consulting costs of $17,000. This was offset by an increase in executive severance cost of $300,000, executive stock option expense of $110,000 and executive restricted stock unit grant expense of $71,000.

Sales and marketing expenses. Sales and marketing expenses were $244,000 and $391,000 for the three months ended March 31, 2017 and 2016, respectively, a decrease of $147,000. The decrease in sales and marketing expenses was primarily attributable to a decrease in employee compensation costs of $84,000 on a lower headcount, a decrease in marketing services and samples costs of $21,000, a decrease in travel and other costs related to sales and marketing of $42,000.

Research and development expenses. Research and development expenses were $641,000 and $579,000 for the three months ended March 31, 2017 and 2016, respectively, an increase of $62,000. This is attributable to increased employee severance compensation cost of $160,000, partially offset by a decrease in project expenses and equipment costs of $65,000 and a decrease in employee travel costs of $33,000.

Other income (expense). Other income was $11,000 and $672,000 for the three months ended March 31, 2017 and, 2016, a decrease of $661,000. The decrease in other income was primarily due to a decrease in the realized gain on foreign currency translation of $677,000 and a decrease of interest revenue of $18,000, partially offset by a decrease in interest expense, as we recorded $35,000 of interest expense in the three months ended March 31, 2016.

Income tax benefit. 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. ASC740 requires that companies assess whether valuation allowances should be established against their deferred tax assets based on consideration of all available evidence, both positive and negative, using a "more likely than not" standard. We are in a cumulative loss position for the past three years, which is considered significant negative evidence by the accounting standards that is difficult to overcome on a "more likely than not" standard through objectively verifiable data. The accounting standards attribute greater weight to objective negative evidence than to subjective positive evidence, such as our projections for future growth. Based on this evaluation, a valuation allowance has been recorded against the net U.S. and Malaysia 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 the available evidence. At March 31, 2017 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. and Malaysia tax benefits and will no longer accrue tax benefits or tax expense on our Consolidated Statement of Operations. In the event that we change our determination as to the amount of deferred tax assets that can be realized, we will adjust our valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made. The tax provision for the three months ended March 31, 2017 is based on an estimated combined statutory effective tax rate. For the three months ended March 31, 2017 the difference between the Company's effective tax rate of 1.0% and the U.S. federal 35% statutory rate and state 6.2% (net of federal benefit) statutory rate was primarily related to U.S. and Malaysia valuation allowances, Malaysia foreign tax rate differential and Malaysia withholding taxes on intercompany loan interest.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our operations using a combination of issuances of common stock and cash generated from our operations.

As of March 31, 2017, we had cash and short term investments totaling $18.4 million, including cash of $7.4 million held in deposits at major banks and $11.0 million invested in money market funds.

Cash flows from operating activities

The following table represents the major components of our cash flows from operating activities for the three months ended March 31, 2017 and 2016:

	Three months ended March 31,	
	2017	2016
	(in millions)	
Net loss	$ (5.1)	$ (7.3)
Non-cash items:		
Depreciation and amortization	0.6	1.6
Net loss on disposal of assets	0.7	—
Stock based compensation and other, net	0.4	0.4
Deferred taxes	—	(0.2)
Total non-cash items:	1.7	1.8
Working capital:		
Accounts receivable	1.8	(0.2)
Inventories	0.8	1.5
Prepaid expenses and other assets	(0.2)	0.7
Accounts payable	(0.2)	0.1
Other accruals	0.3	(1.0)
Total working capital items:	2.5	1.1
Net cash used in operating activities	$ (0.9)	$ (4.4)

Cash used in operating activities was $876,000 for the three months ended March 31, 2017. During such period, we generated a net loss of $5.1 million, including non-cash items of $1.7 million, and an increase in cash from net working capital of $2.5 million. The net working capital cash increase was primarily driven by a decrease in accounts receivable of $1.8 million on decreased revenue and collection of a LED customer account. As the result of scaled down operations and reduced production levels, we experienced a decrease in inventory of $820,000 and an increase in other accruals of $260,000. This was partially offset by a decrease in accounts payable of $230,000 on timing of payments and an increase in prepaid expenses and other assets of $200,000 due to amounts to be collected on asset sales.

Cash used in operating activities was $4.4 million for the three months ended March 31, 2016. During such period, we generated a net loss of $7.3 million, including non-cash items of $1.8 million, and an increase in cash from net working capital of $1.1 million. The net working capital increase was driven by a decrease in inventory of $1.5 million primarily related to a decrease in raw materials, and a decrease in other prepaid expenses of $661,000 primarily related to a decrease in prepaid furnace components. This increase was partially offset by an increase in accounts receivable of $199,000 on increased revenue and timing of customer payments and a decrease in other accruals of $1.0 million due to payment of a litigation settlement of $900,000 and timing of other payments.

Cash flows from investing activities

The following table represents the major components of our cash flows from investing activities for the three months ended March 31, 2017 and 2016:

	Three months ended March 31,	
	2017	2016
	(in millions)	
Purchases of property and equipment	$ —	$ (0.6)
Proceeds from disposal of property and equipment	1.6	—
Total purchases of property and equipment:	1.6	(0.6)
Proceeds from sales of investments	—	5.8
Net cash provided by investing activities	$ 1.6	$ 5.2

Net cash provided by investing activities was $1.6 million for the three months ended March 31, 2017, primarily due to sales of equipment and other assets at our Penang, Malaysia and Batavia, IL locations, as the result of our decision to close the Malaysia facility and consolidate our U.S. operations.

Net cash provided by investing activities was $5.2 million for the three months ended March 31, 2016. During the three months ended March 31, 2016, we used approximately $549,000 for the purchase of equipment for our new coating process, and used proceeds from the sale of investments of $5.8 million to fund operations.

We anticipate our capital expenditures will be kept to a minimum.

Cash flows from financing activities

Net cash used in financing activities was $2,000 and $17,000 for the three months ended March 31, 2017 and 2016, respectively. Net cash used in financing activities for the three months ended March 31, 2017 and 2016 was primarily from cash used to increase restricted cash requirements.

Future liquidity requirements

We believe that our existing cash, cash equivalents, anticipated cash flows from operating activities and proceeds from sales 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. On April 19, 2016, while our common stock was listed on the NASDAQ Global Market, we received notice from the Listing Qualifications Department of The NASDAQ Stock Market ("NASDAQ") stating that we were not in compliance with NASDAQ's minimum bid price requirement of $1.00 per share for continued listing, because the closing bid price for our stock was below $1.00 for 30 consecutive business days. We had an initial grace period of 180 calendar days to regain compliance with the minimum bid price requirement for continued listing. On October 18, 2016, we received approval from NASDAQ to transfer the listing of our common stock to the NASDAQ Capital Market effective on October 20, 2016. As a result of the transfer, we were granted an additional 180 calendar day grace period, or until April 17, 2017 to regain compliance with NASDAQ's minimum bid price requirement. In order to regain compliance and qualify for continued listing on the NASDAQ Capital Market, the closing bid price of our common stock must be at least $1.00 per share for a minimum of ten consecutive business days. On April 19, 2017, we received a staff determination letter from the Listing Qualifications Department of NASDAQ informing us that we failed to regain compliance with the minimum bid price requirement set forth in Listing Rule 5550(a)(2), and that our common stock would be delisted from the NASDAQ Capital Market at the opening of business on April 28, 2017, unless we timely requested an appeal of this determination. On April 26, 2017 we submitted an appeal requesting a hearing before a NASDAQ listing qualifications panel. The delisting of our securities has been stayed until the hearing is completed and the hearing panel has issued a written decision. The hearing date will be determined by NASDAQ and, to the extent practicable, would be scheduled within 45 calendar days from the date of the request.

Following stockholder approval at our annual meeting of stockholders held on May 3, 2017, effective May 5, 2017, we completed a reverse stock split of our common stock at a ratio of 1-for-10. Based on our discussions with the NASDAQ staff, we currently believe that the recently completed reverse stock split enables us to demonstrate compliance with the minimum bid price requirement during the appeal process would assist us to maintaining our listing on NASDAQ. However, we can provide no assurance that, we can achieve such compliance or that, even if such compliance is achieved, that the hearing panel will grant our request for continued listing. If our common stock is delisted, it would significantly impact our ability to raise funds through the issuance of equity. If we obtain debt financing, a substantial portion of our operating cash flow may be dedicated to the payment of principal and interest on such indebtedness, and the terms of the debt securities issued could impose significant restrictions on our operations. If we are unable to obtain financing, we may be unable to continue operations or successfully execute our business plan.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We consider to be critical those accounting policies that require our most subjective or complex judgments, which often result from a need to make estimates about the effect of matters that are inherently uncertain, and that are among the most important of our accounting policies in the portrayal of our financial condition and results of operations. We believe the following to be our critical accounting policies, including the more significant estimates and assumptions used in preparation of our financial statements.

Foreign currency translation and transaction

Rubicon Worldwide LLC, Rubicon Technology Hong Kong and Rubicon Technology Korea Yuhan Hosea's assets and liabilities are translated into U.S. dollars at exchange rates existing at the respective balance sheet dates and capital accounts at historical exchange rates. The results of operations are translated into U.S. dollars at the average exchange rates during the respective period. Translation adjustments resulting from fluctuations in exchange rates for Rubicon Worldwide LLC, Rubicon Technology Hong Kong and Rubicon Technology Korea Yuhan Hosea are recorded as a separate component of accumulated other comprehensive income (loss) within stockholders' equity.

We have determined that the functional currency of Rubicon Sapphire Technology (Malaysia) SDN BHD is the U.S. dollar. Rubicon Sapphire Technology (Malaysia) SDN BHD's assets and liabilities are translated into U.S. dollars using the remeasurement method. Non-monetary assets are translated at historical exchange rates and monetary assets are translated at exchange rates existing at the respective balance sheet dates. Translation adjustments for Rubicon Sapphire Technology (Malaysia) SDN BHD are included in determining net income (loss) for the period. The results of operations are translated into U.S. dollars at the average exchange rates during the respective period. We record these gains and losses in other income (expense).

Foreign currency transaction gains and losses are generated from the effects of exchange rate changes on transactions denominated in a currency other than our functional currency, which is the U.S. dollar. Gains and losses on foreign currency transactions are generally required to be recognized in the determination of net income (loss) for the period. We record these gains and losses in other income (expense).

Revenue recognition

We recognize revenue from sales of products and billings for costs and fees from government contracts when earned.

Revenue is recognized when, and if, evidence of an arrangement is obtained and the other criteria to support revenue recognition are met, including:

- *Persuasive evidence of an arrangement exists.* We require evidence of a purchase order with the customer specifying the terms and specifications of the product to be delivered, typically in the form of a signed quotation or purchase order from the customer;
- *Title has passed and the product has been delivered.* Title passage and product delivery generally occur when the product is delivered to a common carrier or per terms of a consignment agreement;
- *The price is fixed or determinable.* All terms are fixed in the signed quotation or purchase order received from the customer. The purchase orders do not contain rights of cancellation, return, exchange or refund; and
- *Collection of the resulting receivable is reasonably assured.* Our standard arrangement with customers includes payment terms. Customers are subject to a credit review process that evaluates each customer's financial position and its ability to pay. We determine collectability by considering the length of time the customer has been in business and our history of collections with that customer. If we determine that collection is not probable, no product is shipped and no revenue is recognized unless cash is received in advance.

In July 2012, we signed a contract with the Air Force Research Laboratory (the LANCE government contract) to produce large-area sapphire windows on a cost plus fixed fee basis. We recognize revenue from this contract in the period during which the related costs are incurred over the contractually defined period. The contract will not be fully completed until our subcontractors complete the polishing of the windows. We currently expect to complete our contract in 2019.

We do not provide maintenance or other services and we do not have sales that involve multiple elements or deliverables.

Inventory valuation

We value our inventory at the lower of cost or market. Market is determined based on net realizable value. Raw materials cost is determined using the first-in, first-out method, and work-in-process and finished goods costs are determined on a weighted-average cost basis which includes materials, labor and overhead. We establish inventory reserves when conditions exist that suggest inventory may be in excess of anticipated demand or is obsolete based on customer required specifications. We evaluate the ability to realize the value of our inventory based on a combination of factors, including forecasted sales, estimated current and future market value and changes in customers' product specifications. For the three months ended March 31, 2016, we accepted sales orders for core and wafer products at prices lower than our cost. Based on these sales prices, we recorded for the three months ended March 31, 2016 an adjustment which decreased inventory and increased costs of goods sold by $1.1 million. We did not record any additional lower of cost or market adjustments for the three months ended

March 31, 2017. Our method of estimating excess and obsolete inventory has remained consistent for all periods presented. However, if our recognition of excess or obsolete inventory is, or if our estimates of our inventory's potential utility become, less favorable than currently expected, additional inventory reserves may be required. In connection with the closing of our Malaysia facility and ceasing LED production, we determined we had excess two-inch core inventory and recorded a write-down of $2.3 million for the year ended December 31, 2016. We also recorded for the year ended December 31, 2016, write-down of excess raw material inventory of $4.0 million and consumable stock write-down expense of $3.2 million. We did not record any additional excess and obsolete inventory adjustments for the three months ended March 31, 2017. Our method of estimating excess and obsolete inventory has remained consistent for all periods presented. If our recognition of excess or obsolete inventory is, or if our estimates of our inventory's potential utility become, less favorable than currently expected, additional inventory reserves may be required. We determine our normal operating capacity and record as an expense costs attributable to lower utilization of equipment and staff. For the three months ended March 31, 2017 and 2016, we determined that we were not operating at capacity and recorded costs associated with lower utilization of equipment and staff of $1.2 million and $2.3 million, respectively. It is likely we will incur additional adjustments for lower utilization of our equipment and staff in 2017.

Investments

We have invested available cash primarily in investment grade commercial paper, FDIC guaranteed certificates of deposit, corporate notes and government securities. Investments classified as available-for-sale securities are carried at fair market value with unrealized gains and losses recorded in accumulated other comprehensive income (loss). Investments in trading 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 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 a 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.

Allowance for doubtful accounts

We estimate the allowance for doubtful accounts based on an assessment of the collectability of specific customer accounts. The determination of risk for collection is assessed on a customer-by-customer basis considering our historical experience and expected future orders with the customer, changes in payment patterns, and recent information we have about the current status of our accounts receivable balances. If we determine that a specific customer is a risk for collection, we provide a specific allowance for credit losses to reduce the net recognized receivable to the amount we reasonably believe will be collected. We believe that, based on the customers to whom we sell and the nature of our agreements with them, our estimates are reasonable. Our method of estimating collectability has remained consistent for all periods presented and with past collections experience.

Assets held for sale and long-lived assets

When circumstances, such as adverse market conditions, indicate that the carrying value of a long-lived asset may be impaired, we perform an analysis to review the recoverability of the asset's carrying value. We make 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.

In the third quarter of 2016, we announced our decision to limit our focus to the optical and industrial sapphire markets and to exit the LED market. This resulted in the closing of our Malaysia facility. We evaluated our Malaysia asset portfolio based on assuming an orderly liquidation plan. Based on this review, we recorded for the year ended December 31, 2016 an asset impairment charge on our Malaysia machinery and equipment. In the fourth quarter of 2016, we also developed a plan to scale down our U.S. operations and sell additional assets that would not be needed. In this regard, we identified excess U.S. machinery, equipment and facilities. Based on this review, we recorded for the year ended December 31, 2016 an asset impairment charge on our U.S. machinery and equipment.

In the first quarter of 2017, auctions were held in Batavia, Illinois, and Malaysia, resulting in the sale of a portion of the excess U.S. and some of the Malaysian equipment reducing the net book value of machinery and equipment by $2.3 million. Unsold equipment including excess crystal growth furnaces was classified as current assets held for sale at March 31, 2017.

We are actively seeking the sale of a manufacturing and office facility in Batavia, Illinois, a parcel of extra land we own in Batavia, Illinois, and a facility in Penang, Malaysia. Since it is our intention to complete the sale within the next twelve-month period, these properties were classified as current assets held for sale at March 31, 2017 and December 31, 2016.

At March 31, 2017, we reviewed the current fair market value of our assets and concluded no additional adjustments were needed. We will continue to assess our 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 market value.

Stock-based compensation

We grant stock-based compensation in the form of stock options, restricted stock units ("RSUs") and restricted stock. We expense stock-based compensation based upon the fair market value on the date of grant. We use the Black-Scholes option pricing model to determine the fair value of stock options. The determination of the fair value of stock-based payment awards on the date of grant using an option-pricing model will be affected by assumptions regarding a number of complex and subjective variables. These variables include our expected stock volatility over the term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rates, forfeitures and expected dividends.

The expected term represents the weighted-average period that our stock options are expected to be outstanding and is based upon five years historical data. We estimate the volatility of our common stock based on a five year historical stock price. We base the risk-free interest rate that we use in the option pricing model on U.S. Treasury zero-coupon issues with remaining terms similar to the expected term on the options. We do not anticipate paying any cash dividends in the foreseeable future and, therefore, use an expected dividend yield of zero in the option pricing model. We are required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. The current forfeiture rate of 23.1% was based on our past history of forfeitures.

We used a Monte Carlo simulation model valuation technique to determine the fair value of 59,098 RSUs granted to a key executive pursuant to an employment

agreement in March 2017, because the awards vest based upon achievement of market price targets. The Monte Carlo simulation model utilizes multiple input variables that determine the probability of satisfying the market condition stipulated in the award and calculates the fair value of each RSU. We used the following assumptions in determining the fair value of the RSUs:

Daily expected stock price volatility	4.4237%
Daily expected mean return on equity	(0.2226%)
Daily expected dividend yield	0.0%
Average daily risk free interest rate	0.0063%

The daily expected stock price volatility is based on a four-year historical volatility of our common stock. The daily expected dividend yield is based on annual expected dividend payments. The average daily risk-free interest rate is based on the three-year treasury yield as of the grant date. Each of the tranches is calculated to have its own fair value and requisite service period. The fair value of each tranche is amortized over the requisite or derived service period which is up to four years. These RSUs had a grant date fair value of $322,623.

We allocate stock based compensation costs using a straight-line method which amortizes the fair value of each award on a straight-line basis over the service period. Based on the variables affecting the valuation of our common stock and the method used for allocating compensation costs, we recognized $398,000 in stock compensation expense during the three months ended March 31, 2017.

All option grants are granted at an exercise price per share equal to the closing market price of our common stock on the day before the date of grant. Therefore, there is no intrinsic value because the exercise price per share of each option was equal to the fair value of the common stock on the date of grant.

Based on the fair market value of the common stock at March 31, 2017, there is no aggregate intrinsic value of all stock options exercisable or outstanding.

Income tax valuation allowance

Evaluating the need for and amount of a valuation allowance for deferred tax assets often requires significant judgment and extensive analysis of all the positive and negative evidence available to determine whether all or some portion of the deferred tax assets will not be realized. A valuation allowance must be established for deferred tax assets when it is more likely than not (a probability level of more than 50%) that they will not be realized. In general, “realization” refers to the incremental benefit achieved through the reduction in future taxes payable or an increase in future taxes refundable from the deferred tax assets, assuming that the underlying deductible differences and carryforwards are the last items to enter into the determination of future taxable income. In determining our valuation allowance, we consider the source of taxable income including taxable income in prior carryback years, future reversals of existing temporary differences, the required use of tax planning strategies, and future taxable income exclusive of reversing temporary differences and carryforwards. We are 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 verifiable evidence will have greater weight than subjective evidence such as our projections for future growth. Based on an evaluation in accordance with the accounting standards, as of March 31, 2017, a valuation allowance has been recorded against the net U.S. and Malaysia 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 the available evidence. Any U.S. and Malaysia tax benefits or tax expense recorded on the Consolidated Statement of Operations will be offset with a corresponding valuation allowance until such time that we change our determination related to the realization of deferred tax assets. In the event that we change our determination as to the amount of deferred tax assets that can be realized, we will adjust our valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 2 to the Consolidated Financial Statements for a discussion of new accounting standards.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

For the three months ended March 31, 2017, there were no material changes in the information regarding market risk contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

ITEM 4. CONTROLS AND PROCEDURES

Management’s evaluation of disclosure controls and procedures

Based on evaluations at March 31, 2017, our chief executive officer and chief financial officer (together, our “certifying officers”), with the participation of the management team, have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that material information relating to the Company is accumulated and communicated to management, including our certifying officers, as appropriate to allow timely decisions regarding required disclosures.

Changes in internal control over financial reporting

Our certifying officers have concluded that there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the three months ended March 31, 2017 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 5. OTHER INFORMATION

The Company has entered into an Amended and Restated Executive Employment Agreement, dated May 12, 2017 (the “Amended Employment Agreement”), with Timothy E. Brog, which amends and restates the Executive Employment Agreement, dated March 15, 2017 (the “Employment Agreement”), between the Company and Mr. Brog. The terms of the Employment Agreement were summarized in Item 1.01 of Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 16, 2017 and the Employment Agreement was filed as Exhibit 10.1 to such Form 8-K.

Following is a summary of the material amendments set forth in the Amended Employment Agreement. The numbers set forth below reflect the reverse split of the Company's common stock completed on May 5, 2017.

Pursuant to the Amended Employment Agreement, the following RSUs granted pursuant to the Employment Agreement were canceled and rescinded: (A) 902 RSUs with a Target Price of $11.00; (B) 15,000 RSUs with a Target Price of $12.50 and (C) 15,000 RSUs with a Target Price of $14.00

If Mr. Brog remains an employee on January 1, 2018, the Company will grant to Mr. Brog 30,902 RSUs on such date as follows (A) 902 RSUs with a Target Price of $11.00; (B) 15,000 RSUs with a Target Price of $12.50 and (C) 15,000 RSUs with a Target Price of $14.00. Such RSUs shall vest if the average closing price of the Company's common stock as reported on the Nasdaq Capital Market for any fifteen (15) consecutive trading days (the "Fifteen Day Average Price") is greater than or equal to the corresponding target price for the RSUs (the "Target Price"). However, if the Fifteen Day Average Price for any such RSUs is greater than or equal to the Target Price for any 15 consecutive trading day period prior to the date of grant, such RSUs shall vest on the date of grant.

If prior to January 1, 2018 Mr. Brog is terminated without Cause or resigns for Good Reason or a Qualifying Event (such as an extraordinary transaction) occurs, the Company will make to Mr. Brog a cash payment of $407,422.

If Mr. Brog is terminated for Cause or resigns other than for Good Reason prior to January 1, 2018, the Company will make to Mr. Brog a single aggregate payment based on the highest 15-Day Average Price during any 15 consecutive trading day period between May 12, 2017 and the date of termination, as follows:

Highest 15-DayAverage Price	Aggregate Payment
Less than $11.00	$ 0
$11.01 to $12.40	$ 9,922
$12.49 to $13.99	$ 197,422
$14.00 or higher	$ 407,422

The foregoing summary is qualified in its entirety by the Amended Agreement which is filed herewith as Exhibit 10.2 and incorporated herein by reference.

ITEM 6. EXHIBITS

The exhibits filed or incorporated by reference as a part of this report are listed in the Exhibit Index which appears following the signature page to this Quarterly Report on Form 10-Q and is incorporated by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Rubicon Technology, Inc.

Date: May 12, 2017

By: /s/ Timothy E. Brog
Timothy E. Brog
President and Chief Executive Officer

Date: May 12, 2017

By: /s/ Mardel A. Graffy
Mardel A. Graffy
Chief Financial Officer

EXHIBIT INDEX

The Exhibits listed below are filed or incorporated by reference as part of this Quarterly Report on Form 10-Q.

Exhibit No.	Description	Incorporation by Reference
3.1	Eighth Amended and Restated Certificate of Incorporation of Rubicon Technology, Inc.	Filed as Exhibit 3.1 to the registrant's Registration Statement on Form S-1/A, filed on November 1, 2007 (File No. 333-145880)
3.2	Amendment No. 1 to Eighth Amended and Restated Certificate of Incorporation of Rubicon Technology, Inc.	Filed as Appendix A to the registrant's Definitive Proxy Statement on Schedule 14A, filed on April 29, 2011 (File No. 1-33834)
3.3	Certificate of Amendment to Eighth Amended and Restated Certificate of Incorporation of Rubicon Technology, Inc.	Filed as Exhibit 3.1 to the registrant's Current Report on Form 8-K, filed on May 4, 2017 (File No. 1-33834)
3.4	Second Amended and Restated Bylaws of Rubicon Technology, Inc.	Filed as Exhibit 3.3 to the registrant's Quarterly Report on Form 10-Q, filed on May 10, 2016 (File No. 1-33834)
10.1*	Separation Agreement between Rubicon Technology, Inc. and William F. Weissman, dated as of March 16, 2017	Filed herewith
10.2*	Amended and Restated Executive Employment Agreement by and between Rubicon Technology, Inc. and Timothy E. Brog, dated as of May 12, 2017	Filed herewith
31.1*	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
31.2*	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
32.1*	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906	

	of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

**Filed electronically with this Quarterly Report on Form 10-Q

EX-10.1 2 f10q0317ex10i_rubicontech.htm SEPARATION AGREEMENT BETWEEN RUBICON TECHNOLOGY, INC. AND WILLIAM F. WEISSMAN, DATED AS OF MARCH 17, 2017

Exhibit 10.1

SEPARATION AND GENERAL RELEASE AGREEMENT

This Separation and General Release Agreement (the "Agreement") is entered into by William F. Weissman, an Illinois resident (the "Executive"), and Rubicon Technology, Inc., a Delaware corporation (the "Company").

WHEREAS, the Board of Directors of the Company has decided to terminate the employment of the Executive, without cause, in order to replace him with a Chief Executive Officer and President with skills it believes are better suited to the current business plan of the Corporation, and the Executive has agreed to resign his employment with the Company so long as it does not adversely affect the benefits to which he is entitled as the result of his employment being terminated without cause;

WHEREAS, Sections 4(b) and 4(c) of the Executive's Executive Employment Agreement dated February 18, 2015, as amended (the "Executive Employment Agreement," a copy of which is attached hereto as Exhibit A), each requires thirty (30) calendar days written notice prior to the termination of the Executive's employment;

WHEREAS, the Executive is entitled to certain severance benefits in the event of a termination without cause pursuant to Section 4(b) of the Executive Employment Agreement, conditioned upon his providing a complete release agreeable in form and substance to the Company, but Executive is not entitled to any severance benefits in the event of a resignation pursuant to Section 4(c) of the Executive Employment Agreement; and

WHEREAS, the Executive and the Company have agreed to waive the notice period of Section 4(c) of the Executive Employment Agreement, and provide the Executive with the severance benefits available pursuant to Section 4(b) of the Executive Employment Agreement, in exchange for the Executive executing the complete release referenced in Section 4(b) of the Executive Employment Agreement.

The Executive and the Company agree as follows:

1. Resignations and Return of Property.

The Executive hereby resigns as Chief Executive Officer and President and as a member of the Board of Directors of the Company, effective as of March 17, 2017. All Company files, access keys and codes, desk keys, ID badges, computers, records, manuals, electronic devices, computer programs, papers, electronically stored information or documents, telephones and credit cards, and any other property of the Company in the Executive's possession shall be promptly returned to the Company; provided, that, the Executive may keep one copy of any items as he may reasonably expect to use to protect his rights under this Agreement or to perform such consulting services as the Company has indicated it intends to request of him during the transition after the date hereof. The Executive shall be entitled to keep his laptop computer and all information thereon; provided that, upon the request of the Company, the Executive will delete all Company information from the laptop computer other than any information he is entitled to retain pursuant to the foregoing.

2. General Release and Waiver of Claims.

(a) Release. In consideration of the payments and benefits provided to the Executive pursuant to this Agreement, and after consultation with counsel, the Executive and each of the Executive's respective heirs, executors, administrators, representatives, agents, insurers, successors and assigns (collectively, the "Releasors") hereby irrevocably and unconditionally release and forever discharge the Company, its subsidiaries and affiliates and each of their respective officers, employees, directors, attorneys, shareholders and agents ("Releasees") from any and all claims, actions, causes of action, rights, judgments, obligations, damages, demands, accountings or liabilities of whatever kind or character (collectively, "Claims"), including, without limitation, any Claims under any federal, state, local or foreign law, that the Releasors may have, or in the future may possess, arising out of (i) the Executive's employment relationship with and service as an employee, officer or director of the Company or any subsidiaries or affiliated companies and the termination of such relationship or service, and (ii) any event, condition, circumstance or obligation that occurred, existed or arose on or prior to the date the Executive signs this Agreement; provided, however, that the Executive does not release, discharge or waive any rights to (i) payments and benefits provided under this Agreement and (ii) any indemnification rights the Executive may have under the Executive Employment Agreement, in accordance with the Company's governance instruments or under any director and officer liability insurance maintained by the Company with respect to liabilities arising as a result of the Executive's service as an officer and employee of the Company. This paragraph 2(a) does not apply to any Claims arising under the Federal Age Discrimination in Employment Act of 1967, as amended, and the applicable rules and regulations promulgated thereunder ("ADEA"). Claims arising under ADEA are addressed in paragraph 2(b) of this Agreement.

(b) Specific Release of ADEA Claims. In further consideration of the payments and benefits provided to the Executive under this Agreement, the Releasors hereby unconditionally release and forever discharge the Releasees from any and all Claims arising under ADEA that the Releasors may have as of the date Executive signs this this Agreement. By signing this Agreement, the Executive hereby acknowledges and confirms the following:

(i) the Executive is hereby advised by the Company in connection with his termination to consult with an attorney of his choice prior to signing this Agreement and to have such attorney explain to the Executive the terms of this Agreement, including, without limitation, the terms relating to the Executive's release of claims arising under ADEA, and the Executive has in fact consulted with an attorney;

(ii) the Executive was given a period of not fewer than 21 days to consider the terms of this Agreement and to consult with an attorney of his choosing regarding this Agreement;

(iii) the Executive knowingly and voluntarily accepts the terms of this Agreement;

and

(iv) the Executive is providing this release only in exchange for consideration in addition to anything of value to which the Executive is already entitled.

(c) Right to Revoke. The Executive also understands that he has seven days following the date on which he signs this Agreement within which to revoke the release contained in this paragraph, by providing the Company with a written notice of his revocation of the release and waiver contained in this paragraph. To be effective any such written revocation notice must be received by Mardel Graffy, Chief Financial Officer, Rubicon Technology, Inc., 900 East Green Street, Unit A, Bensenville, IL 60106, no later than 5:00 p.m. on the seventh (7th) day following the date on which he signs this General Release Agreement.

The "Effective Date" of this Agreement shall be the eighth day following the date on which Executive signs this General Release Agreement, so long as the Executive has not timely revoked it in accordance with this paragraph 2(c).

(d) No Assignment. The Executive represents and warrants that he has not assigned any of the Claims being released under this General Release Agreement. The Company may assign this General Release Agreement, in whole or in part, to any affiliated company or subsidiary of, or any successor in interest to, the Company.

3. Severance Benefits. Once this Agreement becomes effective, the Executive shall be entitled to the benefits specified in paragraph 4(b) of the Executive Employment Agreement, including payment of thirty (30) days of his current Annual Salary in lieu of the notice period otherwise required under paragraph 4(b) of the Executive Employment Agreement. In addition, the Company and the Executive will enter into an agreement amending the Option Agreement with the Executive, dated November 30, 2015 for 277,778 options, to extend the date to which those options may be exercised to March 17, 2019. If, for any reason, such an amendment is not executed by the parties, this paragraph will serve as such amendment without further action by the parties.

4. Proceedings.

(a) General Agreement Relating to Proceedings. The Executive has not filed, and except as provided in paragraphs 4(b) and 4(c), the Executive agrees not to initiate or cause to be initiated on his behalf, any complaint, charge, claim or proceeding against the Releasees before any local, state or federal agency, court or other body relating to his employment or the termination of his employment, other than with respect to the obligations of the Company to the Executive under the Employment Agreement (each, individually, a "Proceeding"), and agrees not to participate voluntarily in any Proceeding. The Executive waives any right he may have to benefit in any manner from any relief (whether monetary or otherwise) arising out of any Proceeding.

(b) Proceedings Under ADEA. Paragraph 4(a) shall not preclude the Executive from filing any complaint, charge, claim or proceeding challenging the validity of the Executive's waiver of Claims arising under ADEA (which is set forth in paragraph 2(b) of this Agreement). However, both the Executive and the Company confirm their belief that the Executive's waiver of claims under ADEA is valid and enforceable, and that their intention is that all claims under ADEA will be waived.

(c) Certain Administrative Proceedings. In addition, paragraph 4(a) shall not preclude the Executive from filing a charge with or participating in any administrative investigation or proceeding by the Equal Employment Opportunity Commission or another Fair Employment Practices agency. The Executive is, however, waiving his right to recover money in connection with any such charge or investigation. The Executive is also waiving his right to recover money in connection with a charge filed by any other entity or individual, or by any federal, state or local agency.

5. Remedies. In the event the Executive initiates or voluntarily participates in any Proceeding in violation of this Agreement, or if he fails to abide by any of the terms of this Agreement or his post-termination obligations contained in the Employment Agreement, or if he revokes the ADEA release contained in paragraph 2(b) within the seven-day period provided under paragraph 2(b), the Company may, in addition to any other remedies it may have, reclaim any amounts paid to him pursuant to the Executive Employment Agreement or terminate any benefits or payments that are subsequently due under the Executive Employment Agreement, without waiving the release granted herein. The Executive acknowledges and agrees that the remedy at law available to the Company for breach of any of his post-termination obligations under the Executive Employment Agreement or his obligations under paragraphs 2 and 3 herein would be inadequate and that damages flowing from such a breach may not readily be susceptible to measurement in monetary terms. Accordingly, the Executive acknowledges, consents and agrees that, in addition to any other rights or remedies that the Company may have at law or in equity or as may otherwise be set forth in the Executive Employment Agreement, the Company shall be entitled to seek a temporary restraining order or a preliminary or permanent injunction, or both, without bond or other security, restraining the Executive from breaching his post-termination obligations under the Executive Employment Agreement or his obligations under paragraphs 2 and 3 herein. Such injunctive relief in any court shall be available to the Company, in lieu of, or prior to or pending determination in, any arbitration proceeding.

The Executive understands that by entering into this Agreement he shall be limiting the availability of certain remedies that he may have against the Company and limiting also his ability to pursue certain claims against the Company.

6. Severability Clause. In the event that any provision or part of this Agreement is found to be invalid or unenforceable, only that particular provision or part so found, and not the entire Agreement, shall be inoperative.

7. Nonadmission. Nothing contained in this Agreement shall be deemed or construed as an admission of wrongdoing or liability on the part of the Company or the Executive.

8. Governing Law and Forum. The Executive and the Company agree that this Agreement and all matters or issues arising out of or relating to the Executive's employment with the Company shall be governed by the laws of the State of Illinois applicable to contracts entered into and performed entirely therein. Any action to enforce this Agreement shall be brought solely in the state or federal courts located in the City of Chicago, Illinois.

9. Notices. All notices or communications hereunder shall be in writing, addressed as follows:

To the Company:

Board of Directors
Rubicon Technology, Inc.
Unit A
900 East Green Street
Bensenville, Illinois 60106

To the Executive:

William F. Weisman
28156 Jerome Avenue
Wheaton, Illinois 60187

All such notices shall be conclusively deemed to be received and shall be effective (i) if sent by hand delivery or nationally recognized courier, upon receipt or (ii) if sent by electronic mail or facsimile, upon receipt by the sender of such transmission.

[SIGNATURES ON FOLLOWING PAGE]

THE EXECUTIVE ACKNOWLEDGES THAT HE HAS READ THIS AGREEMENT AND THAT IT IS WRITTEN IN A MANNER CALCULATED TO BE UNDERSTOOD BY HIM. THE EXECUTIVE HE FULLY KNOWS, UNDERSTANDS AND APPRECIATES CONTENTS OF THIS AGREEMENT, AND THAT HE HEREBY EXECUTES THIS AGREEMENT VOLUNTARILY AND OF HIS OWN FREE WILL.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date below set forth.

"COMPANY"

RUBICON TECHNOLOGY, INC.

By: /s/ Don N. Aquilano
Don N. Aquilano
Chairman of the Board

"EXECUTIVE"

/s/ William F. Weissman
William F. Weissman

Dated as of March 16, 2017

EX-10.2 3 f10q0317ex10ii_rubicontec.htm AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT BY AND BETWEEN RUBICON TECHNOLOGY, INC. AND TIMOTHY E. BROG, DATED AS OF MAY 12, 2017

Exhibit 10.2

AMENDED AND RESTATED
EXECUTIVE EMPLOYMENT AGREEMENT

THIS Amended and Restated Executive Employment Agreement ("Agreement") is made and entered into as of May 12, 2017, by and between Rubicon Technology, Inc., a Delaware corporation (the "Company"), and Timothy E. Brog, a resident of the State of Connecticut (the "Executive"). This Agreement amends and restates the Executive Employment Agreement, entered into as of March 15, 2017 (the "Effective Date"), between the Executive and the Company (the "Original Agreement").

PRELIMINARY STATEMENTS

The Company and the Executive signed the Original Agreement as of March 15, 2017 and desire to amend and restate the Original Agreement pursuant to Section 12 thereof.

Pursuant to the terms of the Original Agreement, the terms of restricted stock units ("RSUs") granted pursuant to the Original Agreement were automatically adjusted in connection with the1-for-10 reverse stock split of the Company's common stock effective May 5, 2017.

The Company is in the business of providing material science solutions of sapphire and other advanced technology materials for the Opto-electrics Semiconductor Fabrication, Optical and Laser and Telecommunications Marketplaces ("Company's Business"); provided, however, the term shall be deemed amended to reflect any actual change in the Company's Business after the Effective Date but prior to the day following the date on which Executive shall cease to be employed by the Company (as reflected in the minutes of the Board of Directors of the Company prior to the Termination Date (as defined below) or the Resignation Date (as defined below), as applicable). However the term "Company's Business" shall not include any legal, investment banking, money management or home manufacturing business or any business related thereto that does not directly compete with the Company.

As a result of Executive's role as a member of the Company's Board of Directors, the Executive is well acquainted with the affairs of the Company and its personnel, services, products, and business practices and relationships and other Confidential Information (as defined in Section 5 below). This Agreement is entered into for, among other things, the protection of the Company's business relationships, goodwill and going business value and the prevention of the unauthorized use or disclosure of any Confidential Information by the Executive.

Capitalized terms used herein, but not otherwise defined shall have the meanings ascribed to such terms in the Company's 2016 Stock Incentive Plan, as amended (the "Plan").

AGREEMENT

In consideration of the premises and the mutual promises and covenants contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Employment and Duties.

(a) Employment Duties. Throughout the Employment Term (as defined in Section 2 below), the Executive shall serve as the President and Chief Executive Officer ("CEO") of the Company, and shall report to the Board of Directors of the Company (the "Board"). Throughout the Employment Term, the Executive shall: (i) devote his working hours, on a full-time basis, to his duties and responsibilities to the Company except as provided herein; (ii) faithfully and loyally serve the Company; (iii) comply in all material respects with all lawful directions and instructions given to him by the Board; and (iv) use his best efforts to promote and serve the interests of the Company. The Executive shall comply in all material respects with all applicable laws, rules and

regulations relating to the performance of the Executive's duties and responsibilities hereunder.

(b) Exclusive Employment. Throughout the Employment Term, the Executive shall not render his services, directly or indirectly, to any person or entity other than the Company without the prior consent of the Board, which may be withheld or granted by the Board in its sole discretion. The Executive shall not engage in any activity which would materially interfere with the faithful and timely performance of his duties under this Agreement; provided, however, the Executive may, subject to the prior consent of the Board, which shall not be unreasonably withheld, serve as a director of any other company, so long as such service does not unreasonably and materially interfere with the timely performance of the Executive's duties under this Agreement. The Board acknowledges that the Executive currently serves on the Board of Directors of Eco-Bat Technologies Ltd and consents to such service.

Section 2. Employment Term. The Executive's employment as the President and CEO of the Company shall commence on March 17, 2017 and shall continue thereafter unless and until his employment is terminated pursuant to the terms of this Agreement. As used herein, "Employment Term" shall mean the actual period of time during which the Executive is employed by the Company under the terms and conditions of this Agreement.

Section 3. Compensation and Other Benefits. During the Employment Term, the Company shall pay and provide the following compensation and other benefits to the Executive as full compensation for all services rendered by the Executive to the Company:

(a) Annual Salary. The Executive's annual salary shall be Three Hundred and Six Thousand Dollars ($306,000.00) (the "Annual Salary"). The Annual Salary shall be paid in accordance with the then-prevailing payroll practices of the Company, less applicable taxes, payroll deductions and withholdings required by law. The Board shall review the Annual Salary on an annual basis and make appropriate adjustments thereto from time to time; provided that the Annual Salary shall not be reduced below $306,000 without the Executive's prior written consent. At the end of calendar year 2017, the Company agrees that the Board shall review the Annual Salary to make any appropriate adjustments, in its sole discretion, based on anticipated improvements in the Company's cost structure and business outlook.

(b) Bonuses.

(i) In 2017, the Executive shall be eligible to receive a bonus of One Hundred Fifty Thousand Dollars ($150,000.00) based upon the achievement of certain objectives and criteria mutually agreed upon by the Board and the Executive (the "Cash Bonus"). The Board and the Executive shall agree upon the bonus objectives and criteria for the Cash Bonus no later than March 31, 2017. The Cash Bonus, if achieved by the Executive, will be paid no later than March 31, 2018, and shall be subject to applicable taxes, payroll deductions, and withholdings required by law. For years after 2017, the Board shall review the Executive's eligibility for similar bonuses based upon the achievement of certain objectives and criteria mutually agreed upon by the Board and the Executive.

(ii) The Board, in its sole discretion, may determine to pay Executive a discretionary cash bonus (the "Discretionary Bonus"). If paid, the Discretionary Bonus shall be subject to applicable taxes, payroll deductions, and withholdings required by law.

(ii) Pursuant to the Original Agreement, the Company paid to the Executive a signing cash payment in the amount of Twenty-five Thousand Dollars ($25,000.00) on or about April 1, 2017. This payment shall be subject to applicable taxes, payroll deductions and withholdings as required by law.

(iii) All of the terms set forth in the Non-Employee Director Restricted Stock Agreement, effective as of May 26, 2016 by and between the Company and the Executive and all other payments scheduled to be paid and agreed upon when the Executive joined the Board shall continue to be valid, enforceable and are due and payable upon the terms thereof.

(c) Equity and Incentive Compensation. (i) Within five (5) business days after the date of the Original Agreement, the Company issued to Executive a total of 59,098 RSUs for shares of the Company's common stock, par value $.001 per share (the "Common Stock"), pursuant to the agreement attached hereto as Exhibit A, which are or were subject to the following vesting schedule:

Number of RSUs Vested	Target Price
15,000	$ 6.50
15,000	$ 8.00
15,000	$ 9.50
14,098	$ 11.00

In the event of any stock split, combination or similar event, the number of unvested RSUs, shares of Common Stock referred to above and the applicable target price set forth in this Agreement for such RSUs (the "Target Price") shall be adjusted proportionately for all purposes under this Agreement so that the number of unvested RSUs and shares of Common Stock and Target Price would be of equivalent value.

(ii) The Company and the Executive hereby agree that the following RSUs granted by the Company to the Executive pursuant to Section 3(a) of the Original Agreement shall be canceled and rescinded and shall be null and void and have no further effect: (A) 902 RSUs with a Target Price of $11.00; (B) 15,000 RSUs with a Target Price of $12.50 and (C) 15,000 RSUs with a Target Price of $14.00.

(iii) If before January 1, 2018 (A) the Executive's employment with the Company has not been terminated and (B) a Qualifying Event shall not have occurred, on January 1, 2018, the Company shall grant to the Executive 30,902 RSUs pursuant to the agreement attached hereto as Exhibit A, which shall vest in accordance with the schedule set forth below:

Number of RSUs Vested	Target Price
902	$ 11.00
15,000	$ 12.50
15,000	$ 14.00

In the event of any stock split, combination or similar event, the number of unvested RSUs and shares of Common Stock referred to above and the Target Price shall be adjusted proportionately for all purposes under this Agreement so that the number of unvested RSUs and shares of Common Stock and Target Price would be of equivalent value.

(iv) Subsequent to their grant, the RSUs set forth in paragraphs (i) and (iii) above shall vest on the first date before the fourth anniversary of the

Effective Date, if any, that the average closing price of the Common Stock as reported on the Nasdaq Capital Market for any fifteen (15) consecutive trading days immediately prior to such date ("15-Day Average Price") is greater than or equal to the corresponding Target Price set forth in the applicable table above, provided that Executive remains employed by the Company as of the applicable vesting date; provided, that with respect to any RSUs granted pursuant to paragraph (iii) above, if the 15-Day Average Price is greater than or equal to the corresponding Target Price set forth in the applicable table above on for any 15 consecutive trading day period from and after the date of this Agreement prior to the date of grant, such RSUs shall vest on the date of grant. Notwithstanding the foregoing, if a Qualifying Event (as defined below) is completed prior to the fourth anniversary of the Effective Date, any remaining RSUs granted under this Agreement shall immediately vest, provided that Executive remains employed by the Company on the date such Qualifying Event is completed; provided, further, that if a Qualifying Event shall occur before January 1, 2018, the Executive shall receive a cash payment of $407,422. Notwithstanding anything to the contrary in this Agreement, all RSUs that have not vested on or before the fourth anniversary of the Effective Date shall be forfeited and shall have no further effect.

For the purposes of this section, the occurrence of any of the following with Board and, if required by law, shareholder approval shall constitute a "Qualifying Event": (x) the Company publicly discloses its intent to terminate its registration of the Common Stock under Section 12(g) of the Securities and Exchange Act of 1934 (the "Exchange Act"); (y) the Company shall have commenced a self-tender offer for not less than 33% of the Company's shares of Common Stock outstanding immediately preceding such self-tender offer at an offer price at least equal to the 15-Day Average Price applicable on the date such offer price is determined by the Company's Board of Directors; and (z) the Company shall have completed any other extraordinary transaction in which more than 15% of the Company's current outstanding shares were issued as part of such transaction.

Any dividends paid in cash, securities or other property by the Company shall for all purposes under this Agreement reduce the Target Price set forth in the applicable table above by an amount equal to the value of such dividend.

(d) Employee Benefit Plans. The Executive shall be eligible to participate in all employee benefit plans offered by the Company, but participation shall be subject to all of the terms and conditions of such plans applicable to all such employees, including all waiting periods, eligibility requirements, contributions, exclusions and other similar conditions or limitations.

(e) Vacation. The Executive shall be entitled to accrue twenty (20) vacation days per calendar year, which vacation days shall accrue proportionately throughout the year based on completed months of service. Any unused vacation days shall be carried forward from one calendar year to the next. For purposes of this Agreement, the term "Termination Vacation Pay" shall mean, at the time of a termination of the Executive's employment hereunder, the payment due to the Executive at the rate of the Annual Salary in effect at that time, on a daily basis, multiplied by the number of earned and unused vacation days up until the Termination Date.

(f) Other Expenses. The Company shall reimburse the Executive for all reasonable and ordinary out-of-pocket business expenses incurred by the Executive in the scope of his employment hereunder. This shall include all reasonable travel and hotel expenses when Executive is traveling to, and while residing in, Illinois on Company business. The Executive shall submit itemized expense reports in order to obtain reimbursement of expenses and shall submit with such expense reports such records and logs as may be required by the relevant taxing authorities for the substantiation of each such business expense as a deduction on the Company's income tax returns.

Section 4. Termination of Employment. The Executive's employment with the Company shall be subject to termination as follows:

(a) Termination for Cause. The Company may immediately terminate the Executive for Cause (as defined below) by giving written notice to the Executive. In the event of a termination for Cause, the Executive shall be entitled to payment of (i) that portion of any of Executive's Annual Salary that the Executive earned through and including the Termination Date, at the rate of the Annual Salary in effect at that time, (ii) any Termination Vacation Pay, and (iii) any bonus earned prior to the Termination Date that remains unpaid, subject to any offset or recoupment rights of the Company and any other rights or remedies applicable to any breach of this Agreement by the Executive prior to the Termination Date. Additionally, if the Executive is terminated for Cause prior to January 1, 2018, the Executive will receive a single aggregate payment based on the highest 15-Day Average Price during any 15 consecutive trading day period from and after the Effective Date of this Agreement through the date of termination, in accordance with the table set forth below. In the event of any stock split, combination or similar event, the price below shall be adjusted proportionately.

Highest 15-DayAverage Price	Aggregate Payment
Less than $11.00	$ 0
$11.00 to $12.49	$ 9,922
$12.50 to $13.99	$ 197,422
$14.00 or higher	$ 407,422

Except as provided herein or required by applicable law, the Executive shall not be entitled to any other compensation or benefits. Termination for "Cause" shall mean termination by the Board of the Executive's employment with the Company, after a good faith determination by the Board at a meeting called and held for that purpose, or in a written consent to resolutions signed by all members of the Board, and after reasonable notice to the Executive, that the Executive:

(i) has willfully engaged in misconduct materially and adversely affecting the Company;

(ii) engaged in theft, fraud, embezzlement or similar behavior;

(iii) has been indicted or convicted of a felony; or

(iv) has willfully continued, after a correction period, to fail to substantially perform the material duties of Executive's position with the Company (other than failure resulting from incapacity due to physical or mental illness). The correction period shall last not less than ten (10) days after the Company provides Executive with written notice of Executive's failure to substantially perform Executive's material duties.

(b) Termination Without Cause. The Company may, in its sole discretion, terminate the Executive without Cause, by providing written notice to the Executive (the "Termination Notice") at least thirty (30) calendar days prior to the Termination Date. In the event of a termination without Cause, the Executive shall be entitled to: (i) payment of that portion of any Executive's Annual Salary that the Executive earned through and including the Termination Date, at the rate of the Annual Salary in effect at that time; (ii) any Termination Vacation Pay; (iii) any bonus earned prior to the Termination Date that remains unpaid; (iv) payment of Executive's Annual Salary, at the rate of the Annual Salary in effect at that time, commencing on the Termination Date and continuing for the twelve (12) month period thereafter; (v) immediate vesting of any RSUs granted pursuant to Section 3(c) and (vi) if such termination occurs on or before December 31, 2017, a cash payment of $407,422; provided, however, in each case (i)-(vi) that the Executive executes and delivers to the Company a complete release agreement in form and substance reasonably acceptable to the Company, but excluding payments set forth in this paragraph 4(b). In addition, the Company shall be obligated to continue any health and welfare benefits provided to the Executive under Section 3(d) throughout the period commencing on the Termination Date and continuing for a twelve (12) month period thereafter. Except as provided herein or required by applicable law, the Executive shall not be entitled to any other compensation or benefits. With respect to Section 4(b)(iv) above, such payments shall be paid in accordance with the then-prevailing payroll practices of the Company, less applicable taxes, payroll deductions and withholdings required by law.

(c) Resignation. The Executive may resign from his employment with the Company at any time by providing written notice to the Company thirty (30) calendar days prior to the Resignation Date. In the event of resignation other than any resignation for Good Reason covered by paragraph (d) below: (i) the Executive shall be entitled to payment of that portion of the Executive's Annual Salary that the Executive earned through and including the Resignation Date, at the rate of the Annual Salary in effect at that time, any Termination Vacation Pay and any bonus earned prior to the Resignation Date that remains unpaid; and (ii) if such resignation occurs prior to January 1, 2018, the Executive will receive a single aggregate payment based on the highest 15-Day Average Price during any 15 consecutive trading day period from and after the Effective Date through the date of termination, in accordance with the table set forth below. In the event of any stock split, combination or similar event, the price below shall be adjusted proportionately.

Highest 15-DayAverage Price	Aggregate Payment
Less than $11.00	$ 0
$11.00 to $12.49	$ 9,922
$12.50 to $13.99	$ 197,422
$14.00 or higher	$ 407,422

Except as provided herein (including, without limitation, in Section 4(d)) or required by applicable law, the Executive shall not be entitled to any other compensation or benefits.

(d) Resignation for Good Reason. Notwithstanding Section 4(c), the Executive may terminate his employment by the Company for Good Reason (as defined below) by providing written notice thereof to the Company (the "Resignation Notice") at least thirty (30) days prior to the Resignation Date, which notice shall set forth in reasonable detail the nature of the facts and circumstances which constitute "Good Reason" (as defined below) and Company shall have thirty (30) days after receipt of the Resignation Notice to cure in all material respects the facts and circumstances which constitute Good Reason. In the event of a termination for Good Reason, the Executive shall be entitled to: (i) payment of that portion of the Executive's Annual Salary that the Executive earned through and including the Resignation Date, at the rate of the Annual Salary in effect at that time; (ii) any Termination Vacation Pay; (iii) any bonus earned prior to the Resignation Date that remains unpaid; (iv) payment of Executive's Annual Salary, at the rate of the Annual Salary in effect at that time, commencing on the Resignation Date and continuing for the twelve (12) month period thereafter; (v) immediate vesting of any RSUs granted pursuant to Section 3(c) and (vi) if such termination occurs on or before December 31, 2017, a cash payment of $407,022; in each case (i)-(vi) provided, however, that the Executive executes and delivers to the Company a complete release agreement in form and substance reasonably acceptable to the Company. In addition, the Company shall be obligated to continue any health and welfare benefits provided to the Executive under Section 3(d) throughout the period commencing on the Termination Date and continuing for a twelve (12) month period thereafter. Except as provided herein or required by applicable law, the Executive shall not be entitled to any other compensation or benefits. With respect to Section 4(d)(iv) above, such payments shall be paid in accordance with the then-prevailing payroll practices of the Company, less applicable taxes, payroll deductions and withholdings required by law.

For purposes of this Agreement, "Good Reason" means the resignation of the Executive's employment by the Company by the Executive, because of (A) any reduction in the Executive's Annual Salary then in effect in a manner that is not permitted under Section 3(a) hereof, (B) a substantial diminution in the duties, responsibilities or titles of the Executive (including, without limitation, duties and responsibilities as a director of the Company), but only if uncured in accordance with the foregoing provisions hereof, or (C) being required by the Board to work in the Company's office located in any place other than in the New York metropolitan area for more than 12 days in any one month in order to maintain employment with the Company pursuant to this Agreement.

(e) Termination Subsequent To A Change In Control. Notwithstanding anything to the contrary herein, in the event that the Company, at any time within two (2) years after a Change in Control, terminates the Executive without Cause or the Executive resigns with Good Reason, the Executive shall be entitled to the payments and benefits set forth in Sections 4(b) or 4(d), as the case may be, except that, in lieu of the payment pursuant to Section 4(b)(iv) and 4(d)(iv), the Company shall pay to the Executive a lump sum payment within thirty (30) days of the Termination Date or Resignation Date, as applicable. The lump sum payment shall be equal to the Executive's Annual Salary at the time of the Termination Date or Resignation Date, as the case may be, less all applicable taxes, payroll deductions and withholdings required by law. In addition, any unvested RSUs shall immediately be fully vested.

Notwithstanding the preceding sentence, if the independent accountants acting as auditors for the Company on the date of the Change in Control determine that such single payment, together with other compensation received by the Executive, would constitute "excess parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended, and regulations thereunder, the single payment to the Executive shall be reduced to the maximum amount which may be paid without such payments in the aggregate constituting "excess parachute payments," provided that such amount shall not be reduced below the payment as set forth in Section 4(b)(iv) or 4(d)(iv) as referenced above.

(f) Death. If the Executive dies, his employment with the Company and this Agreement shall automatically terminate on the date of his death. The Executive's estate or personal representative shall be entitled to receive that portion of the Annual Salary that the Executive earned through and including the date of the Executive's death, at the rate of the Annual Salary in effect at that time, any Termination Vacation Pay and any bonus earned prior to the date of the Executive's death that remains unpaid. Except as provided herein or required by applicable law, neither the Executive's estate nor his personal representative shall be entitled to any other compensation or benefits.

(g) Disability. The Executive shall be deemed "Permanently Disabled" when he has suffered any medically determinable physical or mental illness, injury or infirmity that prevents the Executive from performing his responsibilities under this Agreement and which disability has lasted or that the Board in good faith has determined can be expected to last for a continuous period of not less than 120 calendar days. The Board has the discretion to determine whether the Executive is disabled and that determination shall be binding and conclusive on the Executive (and any guardians or representatives for him). If the Executive becomes Permanently Disabled, the Company may terminate the Executive's employment with the Company as a result of the Permanent Disability by providing written notice to the Executive thirty (30) calendar days prior to the Termination Date, or the Executive may resign from his employment with the Company by providing written notice to the Company thirty (30) calendar days prior to the Resignation Date. If the Executive resigns from employment with the Company as a result of a Permanent Disability or the Company terminates the Executive's employment as a result of a Permanent Disability, the Executive shall be entitled to receive that portion of the Annual Salary, at the rate in effect when he became Permanently Disabled, that he earned through and including the Termination Date or Resignation Date, as applicable, less any amounts the Executive is entitled to receive under any disability insurance policy maintained by the Company, any Termination Vacation Pay and any bonus earned prior to the Termination Date or Resignation Date, as applicable, that remains unpaid. Except as provided herein or required by applicable law, the Executive shall not be entitled to any other compensation or benefits.

(h) Savings Clause. This paragraph 4(h) shall apply for so long as the Executive is a "specified employee" for purposes of Section 409A of the Code. The determination of whether the Executive is a "specified employee" shall be made in accordance with the policy of the Company or, if none, under the default rules in Section 1.409A-1(i) of the Treasury Regulations. Any amount otherwise payable to the Executive on account of the Executive's separation from service as defined in Section 1.409A-1(h) of the Treasury Regulations that exceeds the limit provided in Section 1.409A-1(b)(9)(iii) of the Treasury Regulations shall not be paid before the date which is six (6) months and a day after the date of the Executive's separation from service (or, if earlier, the date of the Executive's death). Upon the expiration of the six-month deferral period referred to in the preceding sentence or the Executive's death, all payments deferred pursuant to the preceding sentence shall be paid to the Executive (or the Executive's estate in the event of the Executives death) in a lump sum.

Section 5. Confidentiality. For purposes of this Section 5, the term "Company" shall include, in addition to the Company, its affiliates, subsidiaries and any of their respective predecessors, successors and assigns.

(a) Confidential Information. As used in this Agreement, "Confidential Information" means any and all confidential, proprietary or other

information, whether or not originated by the Executive or the Company, which is in any way related to the past or present Company's Business and is either designated as confidential or not generally known by or available to the public. Confidential Information includes, but is not limited to (whether or not reduced to writing or designated as confidential) (i) information regarding the Company's existing and potential customers and vendors; (ii) any contracts (including the existence and contents thereof and parties thereto) to which the Company is a party or is bound; (iii) information regarding products and services being purchased or leased by or provided to the Company; (iv) information received by the Company from third parties under an obligation of confidentiality, restricted disclosure or restricted use; (v) personnel and financial information of the Company; (vi) information with respect to the Company's products, services, facilities, business methods, systems, trade secrets, technical know-how, and other intellectual property; and (vii) marketing and developmental plans and techniques, price and cost data, forecasts and forecast assumptions, and potential strategies of the Company.

(b) Non-Disclosure and Non-Use of Confidential Information. The Executive acknowledges that the Confidential Information of the Company is a valuable, unique asset of the Company and the Executive's use or disclosure thereof could cause irreparable harm to the Company for which no remedy at law could be adequate. Accordingly, the Executive agrees that he shall hold all Confidential Information of the Company in strict confidence and solely for the benefit of the Company, and that, except as necessary in the course of Executive's duties as an employee of the Company, he shall not, directly or indirectly, disclose or use or authorize any third party to disclose or use any Confidential Information. The Executive shall follow all the Company policies and procedures to protect all Confidential Information and take any additional precautions necessary to preserve and protect the use or disclosure of any Confidential Information at all times.

(c) Ownership of Confidential Information. The Executive acknowledges and agrees that all Confidential Information is and shall remain the exclusive property of the Company, whether or not prepared in whole or in part by the Executive and whether or not disclosed to or entrusted to the custody of the Executive. Upon the termination or resignation of his employment by the Company, or at any other time at the request of the Company, the Executive shall promptly deliver to the Company all documents, tapes, disks, or other storage media and any other materials, and all copies thereof in whatever form, in the possession of the Executive pertaining to the Company's Business, including, but not limited to, any containing Confidential Information.

(d) [Intentionally Left Blank].

(e) Survival. The Executive's obligations set forth in this Section 5, and the Company's rights and remedies with respect hereto, shall indefinitely survive the termination of this Agreement and the Executive's employment by the Company, regardless of the reason therefor.

Section 6. Restrictive Covenants. For purposes of this Section 6, the term "Company" shall include, in addition to the Company, its affiliates, subsidiaries and any of their respective predecessors, successors and assigns.

(a) Non-Competition. The Executive shall not, during the Restricted Period and within the Restricted Area (each as defined in subsection (c) below), directly or indirectly, perform on behalf of any Competitor (as defined in subsection (c) below) the same or similar services as those that Executive performed for the Company during the Executive's employment by the Company or otherwise. In addition, the Executive shall not, during the Restricted Period or within the Restricted Area, directly or indirectly engage in, own, manage, operate, join, control, lend money or other assistance to, or participate in or be connected with (as an officer, director, member, manager, partner, shareholder, consultant, employee, agent, or otherwise), any Competitor.

(b) Non-Solicitation. During the Restricted Period, the Executive shall not, directly or indirectly, for himself or on behalf of any Person (as defined in subsection (c) below), (i) solicit or attempt to solicit any Customers (as defined in subsection (c) below), or prospective Customers, with whom the Executive had contact at any time during the Executive's employment by the Company, or about whom the Executive learned Confidential Information; (ii) divert or attempt to divert any business of the Company to any other Person; (iii) solicit or attempt to solicit for employment, endeavor to entice away from the Company, recruit, hire, or otherwise interfere with the Company's relationship with, any Person who is currently employed by or otherwise engaged to perform services for the Company (or was employed or otherwise engaged to perform services for the Company, as of any given time, within the immediately preceding twenty-four (24) month period); (iv) cause or assist, or attempt to cause or assist, any current employee or other service provider to leave the Company; or (v) otherwise interfere in any manner with the employment or business relationships of the Company or the business or operations then being conducted by the Company.

(c) Definitions. For purposes of this Section 6, the following definitions have the following meanings:

(i) "Competitor" means any Person that engages in a business that is the same as, or similar to, the Company's Business.

(ii) "Customer" means any Person which, as of any given date, used or purchased or contracted to use or purchase any services or products from the Company within the immediately preceding twenty-four (24) month period.

(iii) "Person" means any individual, corporation, partnership, joint venture, association, limited liability company, joint-stock company, trust, or unincorporated organization, or any governmental agency, officer, department, commission, board, bureau, or instrumentality thereof.

(iv) "Restricted Area" means, because the market for Company's Business is global, or has the potential of being global, and is not dependent upon the physical location or presence of the Company, the Executive, or any individual or entity that may be in violation of this Agreement, the broadest geographic region enforceable by law (excluding any location where this type of restriction is prohibited by law) as follows: (A) everywhere in the world that has access to Company's Business because of the availability of the Internet; (B) everywhere in the world that the Executive has the ability to compete with Company's Business through the Internet; (C) each state, commonwealth, territory, province and other political subdivision located in North America; (D) each state, commonwealth, territory and other political subdivision of the United States of America; (E) any state in which the Executive has performed any services for the Company; (F) any geographical area in which the Company has performed any services or sold any products; (G) any geographical area in which the Company or any of its subsidiaries have engaged in Company's Business, which has resulted in aggregate sales revenues of at least $25,000 during any year in the five (5) year period immediately preceding the commencement of the Restricted Period; (H) any state or other jurisdiction where the Company had an office at any time during the Executive's employment by the Company; (I) within one hundred (100) miles of any location in which the Company had an office at any time during the Executive's employment by the Company; and (J) within one hundred (100) miles of any location in which the Executive provided services for the Company.

(v) "Restricted Period" means the period of time during the Executive's employment by the Company plus a period of twelve (12) months from the Termination Date or Resignation Date, as applicable. In the event of a breach of this Agreement by the Executive, the Restricted Period will be extended automatically by the period of the breach.

(d) Survival. The Executive's obligations set forth in this Section 6, and the Company's rights and remedies with respect thereto, will remain in full force and effect during the Restricted Period and until full resolution of any dispute related to the performance of the Executive's obligations during the Restricted Period.

(e) Public Company Exception. The prohibitions contained in this Section 6 do not prohibit the Executive's ownership of stock which is

publicly traded, provided that (1) the investment is passive, (2) the Executive has no other involvement with the company, (3) the Executive's interest is less than five (5%) percent of the shares of the company, and (4) the Executive makes full disclosure to the Company of the stock at the time that the Executive acquires the shares of stock.

Section 7. Assignment of Inventions. Any and all inventions, improvements, discoveries, designs, works of authorship, concepts or ideas, or expressions thereof, whether or not subject to patents, copyrights, trademarks or service mark protections, and whether or not reduced to practice, that are conceived or developed by the Executive while employed with the Company and which relate to or result from the actual or anticipated business, work, research or investigation of the Company (collectively, "Inventions"), shall be the sole and exclusive property of the Company. The Executive shall do all things reasonably requested by the Company to assign to and vest in the Company the entire right, title and interest to any such Inventions and to obtain full protection therefor. Notwithstanding the foregoing, the provisions of this Agreement do not apply to an Invention for which no equipment, supplies, facility, or Confidential Information of the Company was used and which was developed entirely on the Executive's own time, unless (a) the Invention relates (i) to Company's Business, or (ii) to the Company's actual or demonstrably anticipated research or development, or (b) the Invention results from any work performed by the Executive for the Company.

Section 8. Reasonableness; Remedies; Claims.

(a) Reasonableness. The Executive has carefully considered the nature, extent and duration of the restrictions and obligations contained in this Agreement, including, without limitation, the geographical coverage contained in Section 6 and the time periods contained in Section 5 and Section 6, and acknowledges and agrees that such restrictions are fair and reasonable in all respects to protect the legitimate interests of the Company and that these restrictions are designed for the reasonable protection of Company's Business.

(b) Remedies. The Executive recognizes that any breach of this Agreement shall cause irreparable injury to the Company, inadequately compensable in monetary damages. Accordingly, in addition to any other legal or equitable remedies that may be available to the Company, the Executive agrees that the Company shall be able to seek and obtain injunctive relief in the form of a temporary restraining order, preliminary injunction, or permanent injunction, in each case without notice or bond, against Executive to enforce this Agreement. The Company shall not be required to demonstrate actual injury or damage to obtain injunctive relief from the courts. To the extent that any damages are calculable resulting from the breach of this Agreement, the Company shall also be entitled to recover damages, including, but not limited to, any lost profits of the Company and/or its affiliates or subsidiaries. For purposes of this Agreement, lost profits of the Company shall be deemed to include all gross revenues resulting from any activity of the Executive in violation of this Agreement and all such revenues shall be held in trust for the benefit of the Company. Any recovery of damages by the Company shall be in addition to and not in lieu of the injunctive relief to which the Company is entitled. In no event will a damage recovery be considered a penalty in liquidated damages. In addition, in any action at law or in equity arising out of this Agreement, the prevailing party shall be entitled to recover, in addition to any damages caused by a breach of this Agreement, all costs and expenses, including, but not limited to, reasonable attorneys' fees, expenses, and court costs incurred by such party in connection with such action or proceeding. Without limiting the Company's rights under this Section 7(b) or any other remedies of the Company, if a court of competent jurisdiction determines that the Executive breached any of the provisions of Sections 5 or 6, the Company will have the right to cease making any payments or providing any benefits otherwise due to the Executive under the terms and conditions of this Agreement.

(c) Claims by the Executive. The Executive acknowledges and agrees that any claim or cause of action by the Executive against the Company shall not constitute a defense to the enforcement of the restrictions and covenants set forth in this Agreement and shall not be used to prohibit injunctive relief.

Section 9. Nonassignability, Binding Agreement.

(a) By the Executive. The Executive shall not assign, transfer or delegate this Agreement or any right, duty, obligation, or interest under this Agreement without the Company's prior written consent; provided, however, that nothing shall preclude the Executive from designating beneficiaries to receive compensation or benefits, if any, payable under this Agreement upon his death.

(b) By the Company. The Company shall not assign, transfer or delegate this Agreement or any right, duty, obligation or intent under this Agreement without the Executive's prior written consent; provided, however, that the Company may assign this Agreement and all of its rights and obligations hereunder to any person who or entity that shall acquire all or substantially all of the assets and properties of the Company in a bona fide sale transaction.

(c) Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties, any successors or assigns of the Company and the Executive's heirs and the personal representative(s) or executor(s) of the Executive's estate.

Section 10. Definitions. The following capitalized terms shall have, throughout this Agreement, the following meanings:

(a) "Resignation Date" shall mean the date specified in the Resignation Notice, or the actual date the Executive terminates employment with the Company as the result of a resignation as provided in whichever occurs earlier.

(b) "Termination Date" shall mean the actual date the Executive ceases to be employed with the Company as a result of action taken by the Company, and not as a result of Executive's resignation from employment.

Section 11. Judicial Modification and Severability. Executive agrees that if a court of competent jurisdiction should determine that any phrase or provision in this Agreement is invalid or unenforceable as written for any reason, the court shall modify and enforce any such phrase or provision to the maximum extent reasonably necessary to protect the Company's legitimate business interests, so long as the modification does not render the phrase or provision more restrictive with regard to Executive than originally drafted. Executive further agrees that if such modification of a phrase or provision that is invalid or unenforceable as written is legally impossible, the Court shall sever any such phrase or provision from this Agreement, and that the enforceability of all other provisions of this Agreement shall not be affected, but shall otherwise remain in full force and effect.

Section 12. Amendment. This Agreement may not be modified, amended, or waived in any manner except by a written instrument signed by both parties to this Agreement.

Section 13. Waiver. The waiver by any party of compliance by any other party with any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement (whether or not similar), or a continuing waiver or a waiver of any subsequent breach by a party of a provision of this Agreement. Performance by any of the parties of any act not required of it under the terms and conditions of this Agreement shall not constitute a waiver of the limitations on its obligations under this Agreement, and no performance shall estop that party from asserting those limitations as to any further or future performance of its obligations.

Section 14. Governing Law and Forum. This Agreement shall be governed, construed and enforced in accordance with the laws of the State of Illinois, without regard to principles of conflict of laws of such State. Any action to enforce this Agreement shall be brought solely in the state or federal courts located in the City of Chicago, Illinois.

Section 15. Notices. All notices required or desired to be given under this Agreement shall be in writing and shall be deemed to have been given if delivered in

person and receipted for by the party to whom the notice is directed; mailed by certified or registered United States mail postage prepaid, not later than the day upon which the notice is required to be given pursuant to this Agreement; or delivered by expedited courier, shipping prepaid or mailed to sender, on the next business day, after the date on which it is so sent, and addressed as follows:

If to the Company, to: Board of Directors
Rubicon Technology, Inc.
900 East Green Street, Unit A
Bensenville, IL 60106

If to the Executive, to: Timothy E. Brog
351 West Hill Road
Stamford, CT 06902

Either party may, by giving written notice to the other party, change the address to which notice shall then be sent.

Section 16. Prior Agreements. This Agreement amends and restates in its entirety the Original Agreement. This Agreement is a complete and total integration of the understanding of the parties related to the Executive's employment with the Company and supersedes all prior or contemporaneous negotiations, commitments, agreements, writings, and discussions with respect to the subject matter of this Agreement. This Agreement shall not be integrated nor supersede any commitments, agreements, writings, and discussions with respect to the Executive's prior service as a member of the Company's Board of Directors.

Section 17. Headings. The headings of the sections of this Agreement are inserted solely for convenience of reference and shall not be deemed to affect the meaning or interpretation of this Agreement.

Section 18. Counterparts. This Agreement may be executed in two (2) counterparts, each of which shall be deemed to be an original, but both of which together shall constitute one and the same Agreement.

Section 19. Statutory and Common Law Duties. The duties the Executive owes to the Company under this Agreement shall be deemed to include federal and state statutory and common law obligations of the Executive, and do not in any way supersede or limit any of the obligations or duties the Executive owes to the Company. This Agreement is intended, among other things, to supplement the provisions of the Illinois Uniform Trade Secrets Act, as enacted and amended from time to time.

Section 20. Executive Acknowledgments.

(a) The Executive Has Read the Document. The Executive acknowledges and agrees that he has carefully read this entire Agreement and has been given sufficient opportunity to discuss this Agreement with the Company before signing.

(b) The Executive Has Had an Opportunity to Consult with Others. The Executive acknowledges and agrees that he has been given an adequate opportunity to consult with his lawyer, accountant, tax advisor, spouse and other persons he deems appropriate concerning this Agreement and the terms and conditions hereof.

(c) Executive Has a Copy. The Executive acknowledges and agrees that he has been given a copy of this Agreement.

(d) Signing is Acceptance. By signing, the Executive agrees to accept all of the terms and conditions of this Agreement and understands that the Company is relying upon the Executive's stated acceptance of such terms and conditions.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth above.

"COMPANY"	**"EXECUTIVE"**
RUBICON TECHNOLOGY, INC.	
By: /s/ Don N. Aquilano	/s/ Timothy E. Brog
Don N. Aquilano	Timothy E. Brog
Chairman of the Board	
	DATE

EX-31.1 4 f10q0317ex31i_rubicontech.htm CERTIFICATION

Exhibit 31.1

Certifications

Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Timothy E. Brog, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rubicon Technology, Inc. (the "registrant");

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2017

By: /s/ Timothy E. Brog
Timothy E. Brog
President and Chief Executive Officer

EX-31.2 5 f10q0317ex31ii_rubicontech.htm CERTIFICATION

Exhibit 31.2

Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Mardel A. Graffy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rubicon Technology, Inc. (the "registrant");

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2017

By: /s/ Mardel A. Graffy
Mardel A. Graffy
Chief Financial Officer

EX-32.1 6 f10q0317ex32i_rubicontech.htm CERTIFICATION

Exhibit 32.1

**Certification Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002,
18 U.S.C. Section 1350**

In connection with the Quarterly Report of Rubicon Technology, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his or her knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 12, 2017

By: /s/ Timothy E. Brog

Timothy E. Brog
President and Chief Executive Officer

Date: May 12, 2017

By: /s/ Mardel A. Graffy

Mardel A. Graffy
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the registrant and will be retained by the registrant and furnished to the Securities and Exchange Commission or its staff upon request.