

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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 **September 30, 2020**

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**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$.001 per share Preferred Shares Purchase Rights	RBCN	The NASDAQ Stock Market

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 every Interactive Data File required to be submitted 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 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 November 4, 2020, the Registrant had 2,421,822 shares of common stock, par value \$.001 per share, outstanding.

RUBICON TECHNOLOGY, INC.
Quarterly Report on Form 10-Q
For the quarterly period ended September 30, 2020

TABLE OF CONTENTS

	Page
Part I Financial Information	1
Item 1. Financial Statements	
Condensed Consolidated Financial Statements (unaudited)	
Condensed Consolidated Balance Sheets – September 30, 2020 (unaudited) and December 31, 2019	1
Condensed Consolidated Statements of Operations (unaudited) – Three and nine months ended September 30, 2020 and 2019	2
Condensed Consolidated Statements of Comprehensive Loss (unaudited) – Three and nine months ended September 30, 2020 and 2019	3
Condensed Consolidated Statements of Stockholders' Equity (unaudited) – Three and nine months ended September 30, 2020 and 2019	4
Condensed Consolidated Statements of Cash Flows (unaudited) – Nine months ended September 30, 2020 and 2019	6
Notes to Condensed Consolidated Financial Statements (unaudited)	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	17
Item 3. Quantitative and Qualitative Disclosures About Market Risk	26
Item 4. Controls and Procedures	26

Part II Other Information	27
Item 6. Exhibits	27
Signatures	28
Exhibit Index	29

PART I FINANCIAL INFORMATION

Rubicon Technology, Inc.

Condensed Consolidated Balance Sheets

	September 30, 2020 (unaudited)	December 31, 2019
	(in thousands, other than share data)	
Assets		
Cash and cash equivalents	\$ 10,326	\$ 8,709
Restricted cash	—	171
Short-term investments	14,745	15,458
Accounts receivable, net	703	1,053
Inventories	1,033	1,710
Other inventory supplies	139	140
Prepaid expenses and other current assets	142	488
Assets held for sale	1,011	3,957
Total current assets	<u>28,099</u>	<u>31,686</u>
Inventories, non-current	468	468
Property and equipment, net	2,524	2,647
Total assets	<u>\$ 31,091</u>	<u>\$ 34,801</u>
Liabilities and stockholders' equity		
Accounts payable	\$ 326	\$ 733
Accrued payroll	34	53
Accrued and other current liabilities	175	344
Corporate income and franchise taxes	304	296
Accrued real estate taxes	54	114
Advance payments	—	16
Total current liabilities	<u>893</u>	<u>1,556</u>
Total liabilities	893	1,556
Commitments and contingencies (Note 7)		
Stockholders' equity		
Preferred stock, \$.001 par value, 1,000,000 undesignated shares authorized, no shares issued or outstanding	—	—
Common stock, \$.001 par value, 8,200,000 shares authorized; 2,958,850 and 2,955,253 shares issued; 2,409,822 and 2,702,171 shares outstanding, respectively	29	29
Additional paid-in capital	376,352	376,306
Treasury stock, at cost, 549,028 and 253,082 shares	(15,148)	(12,749)
Accumulated other comprehensive loss	(1)	(1)
Accumulated deficit	(331,034)	(330,340)
Total stockholders' equity	<u>30,198</u>	<u>33,245</u>
Total liabilities and stockholders' equity	<u>\$ 31,091</u>	<u>\$ 34,801</u>

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

Rubicon Technology, Inc.

Condensed Consolidated Statements of Operations

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	(unaudited)			
	(in thousands, other than share and per share data)			
Revenue	\$ 1,118	\$ 583	\$ 3,568	\$ 2,272
Cost of goods sold	826	585	2,577	1,899
Gross profit (loss)	<u>292</u>	<u>(2)</u>	<u>991</u>	<u>373</u>
Operating expenses:				
General and administrative	541	585	1,670	1,939
Sales and marketing	87	111	243	275
Gain on sale or disposal of assets	—	(122)	(1,823)	(273)
Income (loss) from operations	<u>(336)</u>	<u>(576)</u>	<u>901</u>	<u>(1,568)</u>
Other income (loss):				
Interest income	3	107	109	368
Unrealized gain on investments	—	119	—	14

Realized gain (loss) on investments	—	6	(1,824)	72
Realized gain (loss) on foreign currency translation	140	(2)	132	(2)
Total other income (loss)	143	230	(1,583)	452
Loss before income taxes	(193)	(346)	(682)	(1,116)
Income tax expense	3	6	12	16
Net loss	\$ (196)	\$ (352)	\$ (694)	\$ (1,132)
Net loss per common share				
Basic	\$ (0.08)	\$ (0.13)	\$ (0.27)	\$ (0.42)
Diluted	\$ (0.08)	\$ (0.13)	\$ (0.27)	\$ (0.42)
Weighted average common shares outstanding used in computing net loss per common share				
Basic	2,439,309	2,691,815	2,527,574	2,708,765
Diluted	2,439,309	2,691,815	2,527,574	2,708,765

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

2

Rubicon Technology, Inc.

Condensed Consolidated Statements of Comprehensive Loss

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	(unaudited) (in thousands)			
Net loss	\$ (196)	\$ (352)	\$ (694)	\$ (1,132)
Other comprehensive income (loss):				
Unrealized gain (loss) on investments, net of tax	—	—	—	2
Other comprehensive income (loss)	—	—	—	2
Comprehensive loss	\$ (196)	\$ (352)	\$ (694)	\$ (1,130)

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

3

Rubicon Technology, Inc.

Condensed Consolidated Statements of Stockholders' Equity
For the Three and Nine Months Ended September 30, 2020 and 2019

	Common stock		Treasury stock		Stockholders' equity			Total stockholders' equity
	Shares	Amount	Shares	Amount	Additional paid-in capital	Accum other comp loss	Accum deficit	
	(in thousands other than share data)							
Balance at January 1, 2019	2,919,542	\$ 29	(185,941)	\$ (12,213)	\$ 375,979	\$ (2)	\$ (329,193)	\$ 34,600
Stock-based compensation	—	—	—	—	20	—	—	20
Common stock issued, net of shares withheld for employee taxes	6,415	—	—	—	36	—	—	36
Purchase of treasury stock, at cost	—	—	(62,849)	(501)	—	—	—	(501)
Unrealized gain on investments, net of tax	—	—	—	—	—	3	—	3
Net loss	—	—	—	—	—	—	(780)	(780)
Balance at June 30, 2019	2,925,957	\$ 29	(248,790)	\$ (12,714)	\$ 376,035	\$ 1	\$ (329,973)	\$ 33,378
Stock-based compensation	—	—	—	—	8	—	—	8
Common stock issued, net of shares withheld for employee taxes	29,296	—	—	—	264	—	—	264
Unrealized loss on investments, net of tax	—	—	—	—	—	(2)	—	(2)
Net loss	—	—	—	—	—	—	(352)	(352)
Balance at September 30, 2019	2,955,253	\$ 29	(248,790)	\$ (12,714)	\$ 376,307	\$ (1)	\$ (330,325)	\$ 33,296

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

4

	Common stock		Treasury stock		Stockholders' equity			Total
	Shares	Amount	Shares	Amount	Additional paid-in capital	Accum other comp loss	Accum deficit	

	Shares	Amount	Shares	Amount	paid-in capital	comp loss	Accum deficit	stockholders' equity
(in thousands other than share data)								
Balance at January 1, 2020	2,955,253	\$ 29	(253,082)	\$ (12,749)	\$ 376,306	\$ (1)	\$ (330,340)	\$ 33,245
Stock-based compensation	—	—	—	—	13	—	—	13
Purchase of treasury stock, at cost	—	—	(229,778)	(1,868)	—	—	—	(1,868)
Net loss	—	—	—	—	—	—	(498)	(498)
Balance at June 30, 2020	2,955,253	\$ 29	(482,860)	\$ (14,617)	\$ 376,319	\$ (1)	\$ (330,838)	\$ 30,892
Stock-based compensation	3,597	—	—	—	33	—	—	33
Purchase of treasury stock, at cost	—	—	(66,168)	(531)	—	—	—	(531)
Net loss	—	—	—	—	—	—	(196)	(196)
Balance at September 30, 2020	2,958,850	\$ 29	(549,028)	\$ (15,148)	\$ 376,352	\$ (1)	\$ (331,034)	\$ 30,198

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

5

Rubicon Technology, Inc.

Condensed Consolidated Statements of Cash Flows

	Nine months ended September 30,	
	2020	2019
	(unaudited) (in thousands)	
Cash flows from operating activities		
Net loss	\$ (694)	\$ (1,132)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation and amortization	125	127
(Gain) on sale or disposal of assets	(1,823)	(273)
Stock-based compensation	46	525
Realized loss on equity investments, net	1,824	—
Changes in operating assets and liabilities:		
Accounts receivable	351	388
Inventories	677	332
Other inventory supplies	1	39
Prepaid expenses and other assets	346	(3)
Accounts payable	(406)	(143)
Accrued payroll	(19)	43
Accrued real estate taxes	(60)	(9)
Corporate income and franchise taxes	8	2
Advanced payments	(16)	(16)
Accrued and other current liabilities	(169)	(36)
Net cash provided by (used in) operating activities	<u>191</u>	<u>(156)</u>
Cash flows from investing activities		
Purchase of property and equipment	(2)	(64)
Proceeds from sale or disposal of assets	4,769	273
Purchases of investments	(2,779)	(1,606)
Proceeds from sale of investments	1,666	536
Net cash provided by (used in) investing activities	<u>3,654</u>	<u>(861)</u>
Cash flows from financing activities		
Taxes paid related to net share settlement of equity awards	—	(7)
Purchases of treasury stock	(2,399)	(501)
Net cash used in financing activities	<u>(2,399)</u>	<u>(508)</u>
Net effect of currency translation	—	—
Net increase (decrease) in cash, cash equivalents and restricted cash	1,446	(1,525)
Cash, cash equivalents and restricted cash, beginning of period	8,880	11,410
Cash, cash equivalents and restricted cash, end of period	<u>\$ 10,326</u>	<u>\$ 9,885</u>

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

6

Rubicon Technology, Inc.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2020

1. BASIS OF PRESENTATION

Interim financial data

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the

United States (“GAAP”) for interim financial information 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, 2019. 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- and nine-month periods ended September 30, 2020, are not necessarily indicative of results that may be expected for the year ending December 31, 2020.

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 Technology Worldwide LLC, Rubicon DTP LLC, Rubicon Technology BP LLC and Rubicon Sapphire Technology (Malaysia) SDN BHD. All intercompany transactions and balances have been eliminated in consolidation.

Investments

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

The Company reviews its available-for-sale debt securities investments at the end of each quarter for other-than-temporary declines in fair value based on the specific identification method. 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 statements of operations.

Accounts receivable

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

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

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The Company records treasury stock purchases under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. In November 2018, the Company’s Board of Directors authorized a program to repurchase up to \$3 million of the Company’s common stock. The Company’s share repurchase program does not obligate it to acquire any specific number of shares. Under the program, shares may be repurchased in privately negotiated and/or open market transactions. The timing, price and volume of repurchases are based upon market conditions, relevant securities laws and other factors. The stock repurchase plan expires on November 19, 2021 and may be terminated at any time.

After the purchases described below, the Company used up all of the remaining amount of the original authorized \$3 million.

Share repurchase activity during the three months ended September 30, 2020, was as follows:

Periods	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced program	Approximate dollar value of shares that may yet be purchased under the program (in thousands)
July 1, 2020 to July 31, 2020	66,168	\$ 8.01	66,168	\$ 0
August 1, 2020 to August 31, 2020	—			
September 1, 2020 to September 30, 2020	—			
Total	66,168			

Inventories

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

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

Inventories consisted of the following:

September 30, 2020	December 31, 2019
-----------------------	----------------------

Raw materials	\$	468	\$	468
Work-in-process		712		901
Finished goods		321		809
	\$	<u>1,501</u>	\$	<u>2,178</u>

As of December 31, 2019 and September 30, 2020, the Company made the determination that raw material inventories were such that the likelihood of significant usage within the current year was doubtful and reclassified such raw material inventories as non-current in the reported financial statements.

Property and equipment

Property and equipment consisted of the following:

	September 30, 2020	December 31, 2019
	(in thousands)	
Machinery, equipment and tooling	\$ 3,343	\$ 3,341
Buildings	1,711	1,711
Information systems	835	835
Land and land improvements	594	594
Furniture and fixtures	8	8
Total cost	<u>6,491</u>	<u>6,489</u>
Accumulated depreciation and amortization	<u>(3,967)</u>	<u>(3,842)</u>
Property and equipment, net	<u>\$ 2,524</u>	<u>\$ 2,647</u>

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.

For the year ended December 31, 2019, the Company reviewed the current fair value of its assets and concluded no adjustments were needed. Additionally, no adjustments were recorded for the nine months ended September 30, 2020. The Company will continue to assess its long-lived assets to ensure the carrying amount of these assets is still appropriate given any changes in the asset usage, marketplace and other factors used in determining the current fair value.

In June 2020, the Company completed the sale of its Malaysian facility for a sale price of Ringgit Malaysia 20,750,000. The Company realized net proceeds of approximately Ringgit Malaysia 20,364,000 (approximately \$4.8 million based on the exchange rate on June 30, 2020 of \$1=MYR4.27) after the payment of consent fees, real estate taxes, brokerage and legal fees, transfer and other expenses. The Company recorded a gain on the disposal of the Malaysian facility of approximately \$1.8 million.

The Company collected a payment of \$125,000 during the three months ended September 30, 2019 related to a settled dispute. For the nine months ended September 30, 2019, the Company sold \$76,000 of excess consumable assets and received a total of \$200,000 related to such settled dispute.

The Company is pursuing the sale of its remaining parcels of land in Batavia, Illinois, and Penang, Malaysia. Although the Company cannot assure the timing of these sales, these properties were classified as current assets held for sale at September 30, 2020 and December 31, 2019, as it is the Company's intention to complete these sales within the next twelve-month period. The Company cannot guarantee that it will be able to successfully complete the sale of these properties.

Revenue recognition

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

The Company does not provide maintenance or other services and it does not have sales that involve bill & hold arrangements, multiple elements or deliverables. However, the Company does provide product warranty for up to 90 days, for which the Company has accrued a warranty reserve of \$1,000 and \$3,000 at September 30, 2020 and December 31, 2019, respectively.

Net income (loss) per common share

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

Diluted net income (loss) per common share was the same as basic net income (loss) per common share for the three and nine months ended September 30, 2020 and 2019, because the effects of potentially dilutive securities did not have a material impact on the calculation of diluted net income (loss) per share. The Company had outstanding options exercisable into 20,500 and 32,839 shares of the Company's common stock that would have had an anti-dilutive or immaterial effect at

3. INVESTMENTS

The Company invests its available cash primarily in U.S. Treasury securities, investment grade commercial paper, FDIC guaranteed certificates of deposit, equity-related securities and corporate notes. Investments classified as available-for-sale debt securities are carried at fair value with unrealized gains and losses recorded in accumulated other comprehensive income/(loss). Investments in equity securities are reported at fair value, with both realized and unrealized gains and losses recorded in other income (expense), in the consolidated statements of operations.

The following table presents the amortized cost and gross unrealized losses on all securities at September 30, 2020:

	<u>Amortized cost</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Fair value</u>
	(in thousands)			
Short-term investments:				
U.S. Treasury securities	\$ 14,745	\$ —	\$ —	\$ 14,745
Total short-term investments	<u>\$ 14,745</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 14,745</u>

10

The following table presents the amortized cost and gross unrealized losses on all securities at December 31, 2019:

	<u>Amortized cost</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Fair value</u>
	(in thousands)			
Short-term investments:				
U.S. Treasury securities	\$ 14,668	—	—	\$ 14,668
Marketable securities	961	—	(171)	790
Total short-term investments	<u>\$ 15,629</u>	<u>\$ —</u>	<u>\$ (171)</u>	<u>\$ 15,458</u>

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 describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company's fixed-income available-for-sale debt securities consist of U.S. Treasury securities, high-quality investment grade commercial paper, FDIC guaranteed certificates of deposit, equity-related securities and corporate notes. The Company values these securities based on pricing from pricing vendors, who may use quoted prices in active markets for identical assets (Level 1 inputs) or inputs other than quoted prices that are observable either directly or indirectly (Level 2 inputs) in determining fair value. The valuation techniques used to measure the fair value of the Company's financial instruments having Level 2 inputs were derived from non-binding market consensus prices that are corroborated by observable market data, quoted market prices for similar instruments, or pricing models, such as discounted cash flow techniques.

The following table summarizes the Company's financial assets measured at fair value on a recurring basis as of September 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	(in thousands)			
Cash equivalents:				
Money market funds	\$ 3,137	\$ —	\$ —	\$ 3,137
Investments:				
Available-for-sale securities — current:				
U.S. Treasury securities	—	14,745	—	14,745
Total	<u>\$ 3,137</u>	<u>\$ 14,745</u>	<u>\$ —</u>	<u>\$ 17,882</u>

11

The following table summarizes the Company's financial assets measured at fair value on a recurring basis as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	(in thousands)			
Cash equivalents:				
Money market funds	\$ 3,759	\$ —	\$ —	\$ 3,759
Investments:				
Available-for-sale securities — current:				
U.S. Treasury securities	—	14,668	—	14,668
Marketable securities	790	—	—	790
Total	<u>\$ 4,549</u>	<u>\$ 14,668</u>	<u>\$ —</u>	<u>\$ 19,217</u>

There are no terms or conditions restricting the Company from redeeming any of its investments.

In addition to the debt securities noted above, the Company had approximately \$7.2 million and \$4.8 million of time deposits included in cash and cash equivalents as of September 30, 2020 and December 31, 2019, respectively.

4. SIGNIFICANT CUSTOMERS

For the three months ended September 30, 2020, the Company had three customers individually that accounted for approximately 24%, 18%, and 12%, of revenue. For the three months ended September 30, 2019, the Company had four customers individually that accounted for approximately 26%, 13%, 12% and 11% of revenue. For the nine months ended September 30, 2020, the Company had four customers that accounted for approximately 22%, 15%, 12% and 10% of revenue. For the nine months ended September 30, 2019, the Company had three customers that accounted for approximately 21%, 16% and 12% of revenue. No other customer accounted for 10% or more of the Company's revenues during the three and nine months ended September 30, 2020 and 2019.

Customers individually representing more than 10% of trade receivables accounted for approximately 65% and 74% of accounts receivable as of September 30, 2020 and December 31, 2019, respectively.

5. STOCKHOLDERS' EQUITY

Common shares reserved

As of September 30, 2020, the Company had reserved 76,450 shares of common stock for issuance upon the exercise of outstanding common stock options and vesting of RSUs. Also, 281,775 shares of the Company's common stock were reserved for future grants of stock options and RSUs (or other similar equity instruments) under the Rubicon Technology, Inc. 2016 Stock Incentive Plan (the "2016 Plan") as of September 30, 2020.

6. STOCK INCENTIVE PLANS

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

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

Pursuant to the 2016 Plan, 281,775 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 following table summarizes the activity of the stock incentive and equity plans as of September 30, 2020, and changes during the nine months then ended:

	Shares available for grant	Number of options outstanding	Weighted-average option exercise price	Number of restricted stock and board shares issued	Number of RSUs outstanding
At January 1, 2020	281,386	22,839	\$ 13.48	99,570	54,003
Granted	—	—	—	—	—
Exercised/issued	—	—	—	—	—
Cancelled/forfeited	389	(389)	196.31	—	—
At September 30, 2020	281,775	22,450	\$ 10.31	99,570	54,003

The Company's aggregate intrinsic value is calculated as the difference between the exercise price of the underlying stock options and the fair value of the Company's common stock. Based on the fair value of the common stock at September 30, 2020, there was \$46,960 of intrinsic value arising from 20,500 stock options exercisable and outstanding.

The Company uses the Black-Scholes option pricing model to value stock options. The Company uses 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. The forfeiture rate of 36.13% is based on the history of forfeited options. The expense is allocated using the straight-line method. For the three and nine months ended September 30, 2020, the Company recorded \$3,000 and \$8,000, respectively, of stock option compensation expense. For the three and nine months ended September 30, 2019, the Company recorded \$6,000 and \$19,000, respectively, of stock option compensation expense. As of September 30, 2020, the Company had \$0.00 of total unrecognized compensation cost related to non-vested stock option awards granted under the Company's stock-based plans.

A summary of the Company's non-vested options during the nine months ended September 30, 2020, is presented below:

	Options	Weighted-average exercise price
Non-vested options at January 1, 2020	4,866	\$ 6.10
Granted	—	—
Vested	(4,866)	6.10
Cancelled/forfeited	—	—
Non-vested options at September 30, 2020	0	\$ 0

For the three and nine months ended September 30, 2020, the Company recorded \$30,000 and \$30,000, respectively, of RSU expense related to Board compensation. For the three months and nine months ended September 30, 2019, the Company recorded \$0 and \$7,000, respectively, of RSU expense.

A summary of the Company's RSUs for the nine month period ended September 30, 2020 is presented below:

	RSUs outstanding	Weighted average price at time of grant	Aggregate intrinsic value
Non-vested RSUs as of January 1, 2020	54,003	\$ 6.56	
Granted	—	—	
Vested	—	—	
Cancelled	—	—	
Non-vested RSUs at September 30, 2020	54,003	\$ 6.56	\$ 354,250

Every year at the Company's annual meeting each member of the Board of Directors is issued an RSU and it vests the following year at the next annual meeting. When such RSU vests, it is automatically converted into \$10,000 of the Company's common stock based upon the closing price the day before the annual meeting.

For the three and nine months ended September 30, 2020, the Company recorded \$0 and \$8,000, respectively, of stock compensation expense related to restricted stock. For the three and nine months ended September 30, 2019, the Company recorded \$2,000 and \$7,000, respectively, of stock compensation expense related to restricted stock.

The Company recognized an expense of \$414,000 during the nine months ended September 30, 2019 for the granting of shares to an officer of the Company as a bonus.

7. COMMITMENTS AND CONTINGENCIES

Litigation

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

COVID-19 Pandemic

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

8. INCOME TAXES

In 2017, the U.S. enacted the Tax Cuts and Jobs Act (the "Act") which, among other provisions, reduced the U.S. corporate tax rate from 35% to 21% effective January 1, 2018. The SEC issued guidance, Staff Accounting Bulletin 118, on accounting for the tax effects of the Act. The guidance allows the Company to record provisional amounts for those impacts, with the requirement that the accounting be completed in a period not to exceed one year from the date of enactment. The Company has completed its accounting for the tax effects of enactment of the Act. The deemed inclusion from the repatriation tax increased from \$3.9 million at the time of provision to \$5.0 million at the time the calculation was finalized for the 2018 tax return. The increase of the inclusion related primarily to the refinement of Malaysia earnings and profits. As the Company is in a full valuation allowance position, an equal benefit adjustment was recorded for the impact of the increase of the deemed repatriation tax.

The Company is subject to taxation in the U.S., Malaysia and in a U.S. state jurisdiction. 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 September 30, 2020, a valuation allowance has been included in the 2020 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 available evidence. At September 30, 2020, 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 statements of operations will be offset with a corresponding adjustment from the use of the net operating loss ("NOL") carry forward asset which currently has a full valuation allowance. In the event that the Company changes its determination as to the amount of deferred tax assets that can be realized, the Company will adjust its valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

The tax provision for the nine months ended September 30, 2020, is based on an estimated combined statutory effective tax rate. The Company recorded for the three and nine months ended September 30, 2020, a tax expense of \$3,000 and \$12,000, respectively, for an effective tax rate of -1.59% and -1.71%, respectively. For the three and nine months ended September 30, 2020 the difference between the Company's effective tax rate and the U.S. federal 21% statutory rate and state 6.2% (net of federal benefit) statutory rate was primarily related to the change in the Company's U.S. and Malaysia valuation allowances, U.S. research and development credit, Malaysia foreign tax rate differential and Malaysia withholding taxes on intercompany loan interest.

9. SEGMENT INFORMATION

The Company has determined that it operates in two segments, the sapphire and pharmacy businesses.

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 September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	(in thousands)		(in thousands)	
North America	\$ 1,014	\$ 561	\$ 3,188	\$ 2,120
Asia	91	14	359	134

Other		13	8	21	18
Total revenue	\$	1,118	\$ 583	\$ 3,568	\$ 2,272

The following table summarizes sales by product type:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	(in thousands)		(in thousands)	
Optical	\$ 892	\$ 520	\$ 3,009	\$ 2,178
Direct Dose Rx	226	63	559	94
Total revenue	\$ 1,118	\$ 583	\$ 3,568	\$ 2,272

The following table summarizes assets by geographic region:

	As of	As of
	September 30,	December 31,
	2020	2019
	(in thousands)	
North America	\$ 30,381	\$ 29,703
Asia	710	5,094
Other	—	4
Total assets	\$ 31,091	\$ 34,801

Direct Dose Rx accounted for a loss of approximately \$92,000 and \$192,000 for the three months ended September 30, 2020 and 2019, respectively, and approximately \$287,000 and \$277,000 for the nine months ended September 30, 2020 and 2019, respectively. The Company established Direct Dose Rx in May 2019.

Direct Dose Rx assets are currently not material to the consolidated financial information of the Company and therefore there is limited disclosure relating specifically to them.

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, 2019, 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, 2019, 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

The Company consists of two primary operating subsidiaries, Rubicon Technology Worldwide LLC and Rubicon DTP LLC dba Direct Dose Rx.

Rubicon Technology Worldwide is a vertically integrated, advanced materials provider specializing in monocrystalline sapphire for applications in optical and industrial systems. We use our proprietary crystal growth technology to produce high-quality sapphire products to meet our customers exacting specifications. We believe that we continue to have a reputation as one of the highest quality sapphire producers in the market. We provide optical and industrial sapphire products in various shapes and sizes, including round and rectangular windows and blanks, domes, tubes and rods.

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 the fourth quarter of 2016 we announced our decision to limit our focus to the optical and industrial sapphire markets and exit the LED market. Following this decision, we developed a plan to close our Malaysia facility, and scale down and consolidate remaining operations in the U.S. We operate in a

Direct Dose Rx is a specialized pharmacy that provides prescription medications, over-the-counter drugs and vitamins to patients being discharged from skilled nursing facilities and hospitals and directly to retail customers who want such medications delivered to their home. The delivered products are sorted by the dose, date and time to be taken and come in easy to use perforated strip-packaging as opposed to separate pill bottles. Direct Dose Rx is currently licensed to operate in 11 states. The services offered by Direct Dose Rx benefits patients, skilled nursing facilities and hospitals by reducing the risk of hospital readmissions.

In addition to our current optical and industrial sapphire business and our Direct Dose Rx existing business, we are actively evaluating the acquisition of profitable companies outside of these markets to utilize our substantial NOL carry forwards.

Historically, a significant portion of the Company's revenue has been derived from sales to relatively few customers. For the three months ended September 30, 2020, we had three customers individually that accounted for approximately 24%, 18% and 12% of revenue. For the three months ended September 30, 2019, we had four customers individually that accounted for approximately 26%, 13%, 12% and 11% of revenue. For the nine months ended September 30, 2020, we had four customers individually that accounted for approximately 22%, 15%, 12% and 10% of revenue. For the nine months ended September 30, 2019, we had three customers individually that accounted for approximately 21%, 16% and 12% of revenue. Our principal customers have been defense subcontractors, industrial manufacturers, fabricators, resellers and pharmacy benefit managers. No other customer accounted for 10% or more of our revenues during the three and nine months ended September 30, 2020 and 2019. We expect our sales to continue to be concentrated among a small number of customers. However, we also expect that our significant customers may change from time to time.

Customers individually representing more than 10% of trade receivables accounted for approximately 65% and 74% of accounts receivable as of September 30, 2020 and December 31, 2019, respectively.

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

We manage direct sales, grow and fabricate sapphire parts and ship from our facility located in Bensenville, Illinois. Previously, we leased this property, and it served as the headquarters of our operations and one of our growth facilities. In 2018, we vacated our leased Franklin Park, Illinois, facility due to the expiration of our lease, and completed the purchase of our Bensenville property, consolidating all of our operations into this facility.

Our cost of goods sold consists primarily of manufacturing materials, labor, manufacturing related overhead, such as utilities, depreciation, provisions for excess and obsolete inventory reserves, idle plant charges, outsourcing costs, freight, warranties and pharmaceutical products. We purchase materials and supplies to support current and future demand for our products. We are subject to variations in the cost of consumable assets from period to period because we do not have long-term fixed-price agreements with our suppliers. We currently outsource some of our production processes and needs.

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

Other income consists of interest income, unrealized gain (loss) on investments, realized gain (loss) on investments and realized gains (loss) on 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 NOL carry forwards as of December 31, 2019, shows no impact on such utilization. In order to protect our NOL carry forwards, in December 2017, we implemented a stockholders' rights plan. We are in a cumulative loss position for the past three years. Based on an evaluation in accordance with the accounting standards, a valuation allowance has been recorded against the net U.S. 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 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.

We continue to review a variety of strategic 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, seeking additional financing, selling the business, making investments, effecting a merger, consolidation or other business combination, partnering or other collaboration agreements, or potential acquisitions or recapitalizations, or we may continue to operate with our current business plan and strategy. We cannot provide assurance that this process will result in the consummation of any transaction, or that the consummation of any transaction will provide greater value to our stockholders.

Direct Dose Rx revenue and expenses are currently not material to the consolidated financial information of the Company and therefore there is limited disclosure relating specifically to it.

RESULTS OF CONSOLIDATED OPERATIONS THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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

	Three months ended September 30,	
	2020	2019
	(in thousands)	
Revenue	\$ 1,118	\$ 583
Cost of goods sold	826	585
Gross profit (loss)	292	(2)
Operating expenses:		
General and administrative	541	585
Sales and marketing	87	111
Gain on sale or disposal of assets	—	(122)
Total operating expenses	628	574
Income (loss) from operations	(336)	(576)
Other income	143	230

Income (loss) before income taxes	(193)	(346)
Income tax expense	3	6
Net loss	<u>\$ (196)</u>	<u>\$ (352)</u>

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

	Three months ended	
	September 30,	
	2020	2019
	(percentage of total)	
Revenue	100%	100%
Cost of goods sold	74	100
Gross profit (loss)	<u>26</u>	<u>—</u>
Operating expenses:		
General and administrative	48	100
Sales and marketing	8	19
Gain on sale or disposal of assets	—	(21)
Total operating expenses	<u>56</u>	<u>98</u>
Income (loss) from operations	<u>(30)</u>	<u>(98)</u>
Other income	13	39
Income (loss) before income taxes	<u>(17)</u>	<u>(59)</u>
Income tax expense	—	1
Net income (loss)	<u>(17)%</u>	<u>(60)%</u>

19

Revenue. Revenue was \$1,118,000 and \$583,000 for the three months ended September 30, 2020 and 2019, respectively, an increase of \$535,000. This increase in revenue was primarily due to an increase in orders from our optical and industrial sapphire business of \$372,000, due to fluctuations in demand and timing of orders. In addition our revenue for the three months ended September 30, 2020 includes an additional \$163,000 of revenue from Direct Dose Rx, which was launched on May 19, 2019.

Gross profit (loss). Gross profit was \$292,000 and (\$2,000) for the three months ended September 30, 2020 and 2019, respectively, an increase of \$294,000. Gross profit primarily increased by \$197,000 due to increased sales, overall higher gross margins in the sapphire business, a decrease in production costs in its sapphire business of \$73,000 as a result of the consolidation of our facilities and improved production efficiency, and \$24,000 due to the growth in sales by Direct Dose Rx.

General and administrative expenses. General and administrative expenses were \$541,000 and \$585,000 for the three months ended September 30, 2020 and 2019, respectively, a decrease of \$44,000. The decrease was primarily attributable to the elimination of the cost to manage and maintain the Company's facility in Malaysia due to its sale and a decrease in operating expenses at Direct Dose Rx.

Sales and marketing expenses. Sales and marketing expenses were \$87,000 and \$111,000 for the three months ended September 30, 2020 and 2019, respectively, a decrease of \$24,000 primarily driven by a reduction in compensation, travel and attending trade shows.

Gain on sale or disposal of assets. For the three months ended September 30, 2020, no gain on asset disposal was recorded. For the three months ended September 30, 2019, we recorded a gain of \$122,000 on the recovery of a previously written off receivable of \$125,000 offset by (\$3,000) property tax adjustment for 2019.

Other income. Other income was \$143,000 and \$230,000 for the three months ended September 30, 2020 and 2019, respectively, a decrease of \$87,000. This decrease was primarily due to higher interest income of \$104,000 and unrealized gain on the Company's equity-related investments of \$119,000 in 2019, partially offset by \$140,000 in realized gain on foreign currency translation in 2020.

Income tax (benefit) expense. In accordance with ASC740 "Accounting for Income Taxes" ("ASC740"), we evaluate our deferred income tax assets quarterly to determine if valuation allowances are required or should be adjusted. At September 30, 2020, 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 Statements of Operations. The tax provision for the three months ended September 30, 2020 is based on an estimated combined statutory effective tax rate. For the three months ended September 30, 2020, the difference between the Company's effective tax rate of -1.59% and the U.S. federal 21% statutory rate and state 6.2% (net of federal benefit) statutory rate was primarily related to the change in our U.S. and Malaysia NOL valuation allowances, U.S. research and development credit, Malaysia foreign tax rate differential and Malaysia withholding taxes on intercompany loan interest.

20

RESULTS OF CONSOLIDATED OPERATIONS NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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

	Nine months ended	
	September 30,	
	2020	2019
	(in thousands)	
Revenue	\$ 3,568	\$ 2,272
Cost of goods sold	2,577	1,899
Gross profit (loss)	<u>991</u>	<u>373</u>
Operating expenses:		
General and administrative	1,670	1,939
Sales and marketing	243	275
Gain on sale or disposal of assets	(1,823)	(273)
Total operating expenses	<u>90</u>	<u>1,941</u>
Gain (loss) from operations	<u>901</u>	<u>(1,568)</u>
Other income	(1,583)	452
Income (loss) before income taxes	<u>(682)</u>	<u>(1,116)</u>

Income tax expense		12	16
Net loss	\$	(694)	\$ (1,132)

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

	Nine months ended September 30,	
	2020	2019
	(percentage of total)	
Revenue	100%	100%
Cost of goods sold	72	84
Gross profit	28	16
Operating expenses:		
General and administrative	47	85
Sales and marketing	7	12
Gain on sale or disposal of assets	(51)	(12)
Total operating expenses	3	85
Gain (loss) from operations	25	(69)
Other income	(44)	20
Income (loss) before income taxes	(19)	(49)
Income tax expense	—	1
Net income (loss)	(19)%	(50)%

21

Revenue. Revenue was \$3,568,000 and \$2,272,000 for the nine months ended September 30, 2020 and 2019, respectively, an increase of \$1,296,000. This increase in revenue was primarily due to an increase in orders from our optical and industrial sapphire business of \$831,000, due to fluctuations in demand and timing of orders. In addition our revenue for the nine months ended September 30, 2020 includes \$559,000 of revenue from Direct Dose Rx, which was launched on May 19, 2019, as compared to revenue of \$94,000 for the nine months ended September 30, 2019.

Gross profit. Gross profit was \$991,000 and \$373,000 for the nine months ended September 30, 2020 and 2019, respectively, an increase of \$618,000. Gross profit primarily increased by \$441,000 due to increased sales and overall higher gross margins in the sapphire business, a decrease in idle plant costs by \$108,000, as a result of the consolidation of our facilities and improved production efficiency and \$100,000 due to the growth in sales by Direct Dose Rx.

General and administrative expenses. General and administrative expenses were \$1,670,000 and \$1,939,000 for the nine months ended September 30, 2020 and 2019, respectively, a decrease of \$269,000. The decrease was primarily attributable to no stock grants to the Company's employees for the nine months ended September 30, 2020, as compared to a non-cash stock grant expense of \$414,000, and approximately \$22,000 for costs and expenses related to the acquisition of assets and the launch of Direct Dose Rx during the nine months ended September 30, 2019. This decrease in general and administrative expenses was partially offset by an increase in employee compensation and consultant costs of \$186,000 for the nine months ended September 30, 2020 due to the operations of Direct Dose Rx.

Sales and marketing expenses. Sales and marketing expenses were \$243,000 and \$275,000 for the nine months ended September 30, 2020 and 2019, respectively, a decrease of \$32,000.

Gain on sale or disposal of assets. For the nine months ended September 30, 2020, we recorded a gain on sale or disposal of the Company's Penang, Malaysia facility of approximately \$1.8 million. For the nine months ended September 30, 2019, we recorded a gain on sale or disposal of assets of \$273,000 on the sales of excess equipment and consumable assets located in the U.S. and Malaysia.

Other income. Other income was (\$1,583,000) and \$452,000 for the nine months ended September 30, 2020 and 2019, respectively, a decrease of \$2,031,000. This decrease in other income was primarily due to realized losses on the Company's equity related investments in the quarter ended March 31, 2020.

Income tax (benefit) expense. In accordance with ASC740 "Accounting for Income Taxes" ("ASC740"), we evaluate our deferred income tax assets quarterly to determine if valuation allowances are required or should be adjusted.

At September 30, 2020, 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 Statements of Operations. The tax provision for the nine months ended September 30, 2020, is based on an estimated combined statutory effective tax rate. For the nine months ended September 30, 2020, the difference between the Company's effective tax rate of -1.71% and the U.S. federal 21% statutory rate and state 6.2% (net of federal benefit) statutory rate was primarily related to the change in our U.S. and Malaysia NOL valuation allowances, U.S. research and development credit, Malaysia foreign tax rate differential and Malaysia withholding taxes on intercompany loan interest.

22

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our operations using a combination of issuances of common stock and cash generated from our operations. In addition to this, recently, we have used the funds obtained through selling our excess equipment to fund our operations.

As of September 30, 2020, we had cash, cash equivalents and short-term investments totalling \$25.1 million, consisting of cash of \$7.2 million held in deposits at major banks, \$3.1 million invested in money market funds and \$14.8 million of short-term investments, which currently includes only U.S. Treasury securities, but may in the future include investment grade commercial paper, FDIC guaranteed certificates of deposit, equity-related securities and corporate notes.

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

Cash flows from operating activities

Cash provided by operating activities was \$191,000 for the nine months ended September 30, 2020. During such period, we generated a net loss of \$694,000, including non-cash items of \$172,000, and an increase in cash from net working capital of \$713,000. The net working capital cash increase was primarily driven by a decrease in accounts receivable of \$351,000 and a decrease of \$677,000 in inventories. This was partially offset by an increase in other accruals of \$256,000 and a decrease in accounts payable of \$406,000.

Cash used by operating activities was \$156,000 for the nine months ended September 30, 2019. During such period, we generated a net loss of \$1,132,000, including non-cash items of \$379,000 which primarily consisted of stock-based compensation of \$525,000 partially offset by gains on the disposal of assets of (\$273,000). An increase in cash from net working capital of \$597,000 was primarily due to a decrease in accounts receivable of \$388,000 on collected balances and a decrease of \$371,000 in raw materials, work-in-process and consumable parts inventories used in operations.

Cash flows from investing activities

Net cash provided by investing activities was \$3,654,000 for the nine months ended September 30, 2020, primarily due to \$4,900,000 of net proceeds from the sale of the Company's facility in Penang, Malaysia, partially offset by purchases of investments of U.S. Treasury securities of \$2,779,000. Additional cash was generated by proceeds from sales of investments of \$1,666,000.

Net cash used in investing activities was \$861,000 for the nine months ended September 30, 2019, primarily due to the purchases of investments in U.S. Treasury securities and common stock of \$1,606,000. This was partially offset by the proceeds from sales of investments of \$536,000. Additionally, we invested in certain property and equipment for \$64,000 and received proceeds from the disposal of assets of \$273,000.

We anticipate our capital expenditures related to our sapphire and pharmacy businesses to be minimal.

Cash flows from financing activities

Net cash used in financing activities was \$2,399,000 for the nine months ended September 30, 2020, which was due to purchases of our treasury stock.

Net cash used in financing activities was \$508,000 for the nine months ended September 30, 2019. This was primarily due to purchases of our treasury stock of \$501,000 and \$7,000 for shares issued, net of taxes for employee awards.

Future liquidity requirements

We believe that our existing cash, cash equivalents, anticipated cash flows from operating activities and proceeds from sales or leases of fixed assets will be sufficient to meet our anticipated cash needs for at least the next twelve months. However, if our ability to generate sufficient operating cash flow or our use of cash in the next twelve months were to significantly adversely change, we may not have enough funds available to continue operating at our current level in future periods. Our cash needs include cash required to fund our operations. If the assumptions underlying our business plan regarding future revenues and expenses change, or if unexpected opportunities or needs arise, we may seek to raise additional cash by selling equity or convertible debt securities. If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our stockholders could be significantly diluted, and these newly issued securities may have rights, preferences or privileges senior to those of existing stockholders.

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.

Revenue recognition

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

We do not provide maintenance or other services and do not have sales that involve bill & hold arrangements, multiple elements or deliverables. However, we do provide product warranty for up to 90 days, for which we have accrued a warranty reserve of \$1,000 and \$3,000 at September 30, 2020 and December 31, 2019, respectively.

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.

For the year ended December 31, 2019, we reviewed the current fair value of our assets and concluded no adjustments were needed. Additionally, no adjustments were recorded for the nine months ended September 30, 2020. 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 value.

The Company is pursuing the sale of its parcels of land in Batavia, Illinois, and in Penang, Malaysia. Although the Company cannot assure the timing of these sales, these properties were classified as current assets held for sale at September 30, 2020 and December 31, 2019, as it is the Company's intention to complete these sales within the next twelve-month period. The Company cannot guarantee that it will be able to successfully complete the sale or lease of any assets.

Inventory valuation

We value our inventory at the lower of cost or net realizable value. Net realizable value is determined based on an estimated selling price in the ordinary course of business less reasonably predictable costs of completion and disposal. Raw materials cost is determined using the first-in, first-out method, and work-in-process and finished goods costs are determined on a standard cost basis which includes materials, labor and manufacturing 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.

Investments

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

We review our available-for-sale debt securities investments at the end of each quarter for other-than-temporary declines in fair value based on the specific identification method. We consider various factors in determining whether an impairment is other-than-temporary, including the severity and duration of the impairment, changes in underlying credit ratings, forecasted recovery, our ability and intent to hold the investment for 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 Statements of Operations. As of September 30, 2020 and 2019, no impairment was recorded.

Stock-based compensation

We grant stock-based compensation in the form of stock options, RSUs and restricted stock. We expense stock-based compensation based upon the fair 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 is 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 the historical data. We estimate the volatility of our common stock based on a historical range of stock price fluctuations. 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 terms 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 36.13% was based on our past history of forfeitures.

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 on the date of grant 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 value of the common stock at September 30, 2020, there was \$46,960 of intrinsic value arising from 20,500 stock options exercisable and outstanding.

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.

Income tax valuation allowance

In accordance with ASC 740 "Accounting for Income Taxes" ("ASC 740"), we evaluate our deferred income tax assets quarterly to determine if valuation allowances are required or should be adjusted. Evaluating the need for and amount of a valuation allowance for deferred tax assets often requires significant judgment and extensive analysis of all 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 carry forwards 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 carry back years, future reversals of existing temporary differences, the required use of tax planning strategies, and future taxable income exclusive of reversing temporary differences and carry forwards. 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 verifiable evidence than to subjective positive evidence, such as our projections for future growth. Based on an evaluation in accordance with the accounting standards, as of September 30, 2020, 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 available evidence. Any U.S. and Malaysia tax benefits or tax expense recorded on the Consolidated Statements of Operations will be offset with a corresponding adjustment from the use of the NOL carry forward asset which currently has a full valuation allowance. 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 Condensed 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 nine months ended September 30, 2020, 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, 2019.

ITEM 4. CONTROLS AND PROCEDURES

Management's evaluation of disclosure controls and procedures

Based on evaluations at September 30, 2020, our chief executive officer and acting chief financial officer (the “certifying officer”), with the participation of the management team, has 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

The certifying officer has 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 September 30, 2020 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

26

PART II

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.

27

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.

Date: November 13, 2020

Rubicon Technology, Inc.

By: /s/ Timothy E. Brog

Timothy E. Brog
President, Chief Executive Officer and Acting Chief
Financial Officer

28

EXHIBIT INDEX

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

<u>Exhibit No.</u>	<u>Description</u>	<u>Incorporation by Reference</u>
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	Amendment No. 2 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)
3.5	Certificate of Designations of Series A Junior Participating Preferred Stock of Rubicon Technology, Inc. filed with the Secretary of State of Delaware on December 18, 2017.	Filed as Exhibit 3.1 to the registrant’s Current Report on Form 8-K, filed on December 18, 2017 (File No. 1-33834)
3.6	Amendment No. 3 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 15, 2018 (File No. 1-33834)
31.1*	Certification of Chief Executive Officer and Acting 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*	Certification of Chief Executive Officer and Acting 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	

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

EX-31.1 2 fl0q0920ex31-1_rubicon.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: November 13, 2020

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

EX-32.1 3 fl0q0920ex32-1_rubicon.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 September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company, certify, 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: November 13, 2020

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