UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark one)

x **Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2016**

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	**(I.R.S. Employer**
Incorporation or Organization)	**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 x 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 x No ¨

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

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

As of May 6, 2016 the Registrant had 26,722,958 shares of common stock, par value $0.001 per share, outstanding.

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RUBICON TECHNOLOGY, INC.

Quarterly Report on Form 10-Q

For the quarterly period ended March 31, 2016

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PART I FINANCIAL INFORMATION

ITEM 1. Consolidated Financial Statements
Rubicon Technology, Inc.

Consolidated balance sheets

	March 31, 2016 (unaudited)	December 31, 2015
	(in thousands, other than share data)	
Assets		
Cash and cash equivalents	$ 21,290	$ 21,216
Restricted cash	186	170
Short-term investments	3,115	8,895
Accounts receivable, net	1,938	1,738
Inventories	20,853	21,333
Other inventory supplies	5,502	5,717
Prepaid expenses and other current assets	806	1,188
Total current assets	53,690	60,257
Property and equipment, net	56,476	57,569
Other assets	1,171	1,416
Total assets	$ 111,337	$ 119,242
Liabilities and stockholders equity		
Accounts payable	$ 3,474	$ 3,256
Accrued payroll	236	164
Accrued and other current liabilities	336	1,328
Corporate income and franchise taxes	59	207
Accrued real estate taxes	296	238
Short-term loan payable	1,500	1,500
Advance payments	16	9
Total current liabilities	5,917	6,702
Deferred tax liability	395	554
Total liabilities	6,312	7,256
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, 40,000,000 shares authorized and 28,497,802 and 28,007,811 shares issued; 26,722,958 and 26,232,967 shares outstanding	29	28
Additional paid-in capital	373,933	373,565
Treasury stock, at cost, 1,774,844 shares	(12,148)	(12,148)
Accumulated other comprehensive loss	(30)	(33)
Accumulated deficit	(256,759)	(249,426)
Total stockholders equity	105,025	111,986
Total liabilities and stockholders equity	$ 111,337	$ 119,242

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

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Rubicon Technology, Inc.

Consolidated statements of operations

	Three months ended March 31, 2015	2015
	(unaudited) (in thousands, other than share and per share data)	
Revenue	$ 4,287	$ 8,910
Cost of goods sold	9,706	14,019
Gross loss	(5,419)	(5,109)
Operating expenses:		
General and administrative	1,767	2,068
Sales and marketing	391	338
Research and development	579	433
Loss from operations	(8,156)	(7,948)
Other income (expense):		
Interest income	24	16
Interest expense	(35)	(23)
Realized gain (loss) on foreign currency translation	683	(357)
Total other income (expense)	672	(364)
Loss before income taxes	(7,484)	(8,312)
Income tax benefit (expense)	151	(36)
Net loss	$ (7,333)	$ (8,348)
Net loss per common share		
Basic	$ (0.28)	$ (0.32)
Diluted	$ (0.28)	$ (0.32)
Weighted average common shares outstanding used in computing net loss per common share basic and diluted	26,226,614	26,129,276

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

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Rubicon Technology, Inc.

Consolidated statements of comprehensive loss

	Three months ended March 31, 2016	Three months ended March 31, 2015
	(unaudited) (in thousands)	
Net loss	$ (7,333)	$ (8,348)
Other comprehensive income (loss):		
Unrealized gain on investments, net of tax	5	6
Unrealized loss on currency translation	(2)	
Other comprehensive income	3	6
Comprehensive loss	$ (7,330)	$ (8,342)

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

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Rubicon Technology, Inc.

Consolidated statements of cash flows

	Three months ended March 31, 2016	2015
	(unaudited)	
	(in thousands)	
Cash flows from operating activities		
Net loss	$ (7,333)	$ (8,348)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	1,642	3,317
Stock-based compensation	370	334
Deferred taxes	(159)	29
Changes in operating assets and liabilities:		
Accounts receivable	(199)	770
Inventories	1,219	647
Other inventory supplies	328	100
Prepaid expenses and other assets	647	332
Accounts payable	123	(1,050)
Accrued payroll	64	(258)
Corporate income and franchise taxes	(148)	(189)
Advanced payments	7	(4)
Accrued and other current liabilities	(948)	313
Net cash used in operating activities	(4,387)	(4,007)
Cash flows from investing activities		
Purchases of property and equipment	(549)	(234)
Purchases of investments		(307)
Proceeds from sale of investments	5,785	5,000
Net cash provided by investing activities	5,236	4,459
Cash flows from financing activities		
Taxes paid related to net share settlement of equity awards	(1)	(8)
Restricted cash	(16)	4
Net cash used in financing activities	(17)	(4)
Net effect of currency translation	(758)	326
Net increase in cash and cash equivalents	74	774
Cash and cash equivalents, beginning of period	21,216	24,353

Cash and cash equivalents, end of period	$ 21,290	$ 25,127

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

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Rubicon Technology, Inc.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

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 as amended for the fiscal year ended December 31, 2015. 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, 2016 are not necessarily indicative of results that may be expected for the year ending December 31, 2016.

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).

Investments

The Company invests available cash primarily 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. As of March 31, 2016, no impairment was recorded.

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Accounts receivable

The majority of the Company s accounts receivable is due from manufacturers serving the LED and 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, 2016	December 31, 2015
	(in thousands)	
Beginning balance	$ 389	$ 140
Charges to costs and expenses	(54)	235
Accounts charged off, less recoveries		14
Ending balance	$ 335	$ 389

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. At times in 2016 and 2015, the Company accepted sales orders for core and wafer products at prices lower than cost. Based on these sales prices, the Company recorded for the three months ended March 31, 2016 and 2015, a lower of cost or market adjustment which reduced inventory and increased cost of goods sold by $544,000 and $252,000, respectively. Inventories are composed of the following:

	March 31, 2016	December 31, 2015
	(in thousands)	
Raw materials	$ 6,943	$ 7,346
Work in progress	10,745	9,920
Finished goods	3,165	4,067
	$ 20,853	$ 21,333

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.

Property and equipment

Property and equipment consisted of the following:

	March 31, 2016	December 31, 2015
	(in thousands)	
Land and land improvements	$ 4,133	$ 4,133
Buildings	26,103	26,097
Machinery, equipment and tooling	50,969	50,364
Leasehold improvements	7,141	7,141
Furniture and fixtures	816	816
Information systems	1,121	1,105
Construction in progress	1,249	1,327
Total cost	91,532	90,983
Accumulated depreciation and amortization	(35,056)	(33,414)
Property and equipment, net	$ 56,476	$ 57,569

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Long-Lived assets

The Company reviews property and equipment for impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. If such events or changes in circumstances occur, the Company will recognize an impairment loss if the undiscounted future cash flows expected to be generated by the assets are less than the carrying value of the related asset. The impairment loss would adjust the asset to its fair value.

In evaluating the recoverability of long-lived assets, the Company must make assumptions regarding estimated future cash flows and other factors to determine the fair value of such assets. If the fair value estimates or related assumptions change in the future, the Company may be required to record impairment charges related to property and equipment. Asset recoverability is first measured by comparing the assets carrying amount to their expected future undiscounted net cash flows to determine if the assets are impaired. If such assets are considered to be impaired, the impairment recognized is measured based on the amount by which the carrying amount of the assets exceeds the fair value.

In response to the Company s current period operating losses combined with our history of continuing operating losses, the Company evaluates the recoverability of certain property and equipment. In the third quarter of 2015, the overall outlook for the sapphire market continued to be volatile as industry analysts reported significant worldwide over capacity and pricing of sapphire products reached historical lows. Based on the Company s quarterly assessment using the most recent projections, impairment to these assets was indicated as of September 30, 2015, as the recoverable amount of undiscounted cash flows did not exceed the carrying amount of these assets and the Company recorded an asset impairment charge on machinery, equipment and facilities. At March 31, 2016, the Company reviewed the current fair market value and concluded no additional adjustments were needed. The Company will continue to assess our long-lived assets to ensure the carrying amount of these assets is still appropriate given any changes in the marketplace and other factors used in determining the current fair market value.

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 arrangemen