
**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 **June 30, 2018**

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: **000-55621**

TEXAS REPUBLIC CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

Texas

(State or other jurisdiction of incorporation or organization)

45-5311713

(I.R.S. Employer Identification Number)

13215 Bee Cave Parkway, Ste. A120

Austin, Texas 78738

(Address of principal executive offices)

(512) 330-0099

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: Common stock .01 par value as of August 14, 2018: 14,862,097 shares.

**TEXAS REPUBLIC CAPITAL CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR QUARTERLY PERIOD ENDED JUNE 30, 2018**

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Texas Republic Capital Corporation and Subsidiaries
Consolidated Statements of Financial Position

	<u>June 30, 2018</u> (Unaudited)	<u>December 31, 2017</u>
Assets		
Available-for-sale fixed maturity securities at fair value (Amortized cost: \$4,712,375 and \$2,288,321 as of June 30, 2018 and December 31, 2017, respectively)	\$ 4,623,655	\$ 2,374,588
Mortgages on real estate	576,377	-
Other long-term investments	261,607	-
Total investments	5,461,639	2,374,588
Cash and cash equivalents	9,926,158	12,578,650
Accrued investment income	53,776	22,709
Due premium	31,750	-
Deferred policy acquisition costs	310,723	193,585
Deferred sales inducement costs	151,085	79,866
Advances and notes receivable	17,544	24,850
Security deposit	7,109	7,109
Prepaid and other assets	75,304	29,381
Furniture and equipment, net	28,210	33,230
Total assets	<u>\$ 16,063,298</u>	<u>\$ 15,343,968</u>
Liabilities and Shareholders' Equity		
Policy liabilities		
Policyholders' account balances	\$ 2,907,705	\$ 1,487,763
Future policy benefits	299,397	175,023
Policy claims and other benefits	8,434	2,504
Liability for deposit-type contracts	19,050	-
Other policyholder liabilities	-	83,201
Total policy liabilities	3,234,586	1,748,491
Accounts payable	89,535	55,120
Total liabilities	<u>3,324,121</u>	<u>1,803,611</u>
Shareholders' equity		
Common stock, par value \$.01 per share, 25,000,000 shares authorized, 14,867,097 issued as of June 30, 2018 and December 31, 2017, and 14,862,097 outstanding as of June 30, 2018 and 14,864,097 outstanding as of December 31, 2017	148,671	148,671
Additional paid-in capital	20,198,314	20,198,314
Treasury stock, at cost (5,000 and 3,000 shares as of June 30, 2018 and December 31, 2017, respectively)	(20,000)	(15,000)
Offering costs	(2,659,696)	(2,659,696)
Accumulated other comprehensive income (loss)	(86,584)	86,267
Accumulated deficit	(4,841,528)	(4,218,199)
Total shareholders' equity	<u>12,739,177</u>	<u>13,540,357</u>
Total liabilities and shareholders' equity	<u>\$ 16,063,298</u>	<u>\$ 15,343,968</u>

See notes to consolidated financial statements (unaudited).

Texas Republic Capital Corporation and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues				
Premiums and other considerations	\$ 158,289	\$ 83,858	\$ 235,757	\$ 83,858
Net investment income	76,308	23,979	135,882	47,545
Commission income	40,339	-	40,562	-
Total revenues	274,936	107,837	412,201	131,403
Benefits, claims and expenses				
Increase in future policy benefits	79,196	49,362	124,260	49,362
Death and other benefits	7,693	288	5,930	288
Interest credited to policyholders	12,210	-	31,912	-
Total benefits and claims	99,099	49,650	162,102	49,650
Policy acquisition costs deferred	(78,626)	(36,556)	(146,118)	(36,556)
Policy acquisition costs amortized	21,157	-	31,116	-
Commissions	103,405	48,278	163,303	48,278
Salaries and wages	187,325	174,692	377,613	311,692
Employee benefits	18,140	26,313	30,410	56,955
Taxes, licenses and fees	15,541	16,949	35,990	32,438
Office rent	21,942	14,680	40,276	32,263
Director fees	12,500	15,216	27,500	30,216
Third-party administration fees	46,650	43,715	90,374	97,365
Service and transfer agent fees	10,494	17,655	25,860	21,845
Travel, meals and entertainment	10,278	40,178	15,814	59,796
Professional fees	47,986	41,203	103,790	86,204
Furniture, equipment and software	10,503	7,192	17,695	11,279
Bad debt	-	(153)	-	(153)
Office and other expenses	42,698	41,747	59,805	50,865
Total benefits, claims and expenses	569,092	500,759	1,035,530	852,137
Net loss	\$ (294,156)	\$ (392,922)	\$ (623,329)	\$ (720,734)
Net loss per common share outstanding and subscribed	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>	<u>\$ (0.05)</u>

See notes to consolidated financial statements (unaudited).

Texas Republic Capital Corporation and Subsidiaries
Consolidated Statements of Comprehensive Loss
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Net loss	\$ (294,156)	\$ (392,922)	\$ (623,329)	\$ (720,734)
Other comprehensive income (loss)				
Total net unrealized gains (losses) arising during the period	(75,975)	13,925	(174,987)	26,580
Adjustment to deferred acquisition costs	1,336	-	2,136	-
Total other comprehensive income (loss)	(74,639)	13,925	(172,851)	26,580
Total comprehensive loss	<u>\$ (368,795)</u>	<u>\$ (378,997)</u>	<u>\$ (796,180)</u>	<u>\$ (694,154)</u>

See notes to consolidated financial statements (unaudited).

Texas Republic Capital Corporation and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
Six Months Ended June 30, 2018 and 2017
(Unaudited)

	Common Stock \$.01 Par Value	Additional Paid-in Capital	Treasury Stock	Offering Costs	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Shareholders' Equity
Balance as of January 1, 2017	\$ 144,866	\$ 18,299,869	\$ (10,000)	\$ (2,449,432)	\$ 53,701	\$ (2,882,616)	\$ 13,156,388
Subscriptions of common stock: \$5.00 per share	3,805	1,898,445	-	-	-	-	1,902,250
Purchase of common stock	-	-	(5,000)	-	-	-	(5,000)
Offering costs	-	-	-	(210,264)	-	-	(210,264)
Other comprehensive income	-	-	-	-	26,580	-	26,580
Net loss	-	-	-	-	-	(720,734)	(720,734)
Balance as of June 30, 2017	<u>\$ 148,671</u>	<u>\$ 20,198,314</u>	<u>\$ (15,000)</u>	<u>\$ (2,659,696)</u>	<u>\$ 80,281</u>	<u>\$ (3,603,350)</u>	<u>\$ 14,149,220</u>
Balance as of January 1, 2018	\$ 148,671	\$ 20,198,314	\$ (15,000)	\$ (2,659,696)	\$ 86,267	\$ (4,218,199)	\$ 13,540,357
Purchase of common stock	-	-	(5,000)	-	-	-	(5,000)
Other comprehensive loss	-	-	-	-	(172,851)	-	(172,851)
Net loss	-	-	-	-	-	(623,329)	(623,329)
Balance as of June 30, 2018	<u>\$ 148,671</u>	<u>\$ 20,198,314</u>	<u>\$ (20,000)</u>	<u>\$ (2,659,696)</u>	<u>\$ (86,584)</u>	<u>\$ (4,841,528)</u>	<u>\$ 12,739,177</u>

See notes to consolidated financial statements (unaudited).

Texas Republic Capital Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended	
	June 30,	
	2018	2017
Operating activities		
Net loss	\$ (623,329)	\$ (720,734)
Adjustments to reconcile net loss to net cash used in operating activities:		
Accretion of discount on investments	(11,019)	(959)
Provision for depreciation	5,020	1,351
Policy acquisition costs deferred	(146,118)	(36,556)
Policy acquisition costs amortized	31,116	-
Mortgage loan origination fees deferred	(9,565)	-
Interest credited to policyholders	31,912	-
Change in assets and liabilities:		
Accrued investment income	(31,067)	-
Due premium	(31,750)	-
Advances and notes receivable	7,306	15,850
Security deposit	-	(13,844)
Prepaid and other assets	(45,923)	(37,032)
Future policy benefits	124,374	49,362
Policy claims	5,930	288
Other policy liabilities	(83,201)	29,225
Accounts payable	34,415	20,189
Deposit-type contracts	19,050	-
Net cash used in operating activities	(722,849)	(692,860)
Investing activities		
Purchase of furniture and equipment	-	(13,989)
Purchase of fixed maturity securities	(2,423,642)	-
Purchase of mortgage loans	(566,812)	-
Purchase of other long-term investments	(251,000)	-
Net cash used in investing activities	(3,241,454)	(13,989)
Financing activities		
Proceeds from public stock offering	-	1,902,250
Offering costs	-	(210,264)
Purchase of treasury stock	(5,000)	(5,000)
Policyholder deposits	1,316,811	-
Net cash provided by financing activities	1,311,811	1,686,986
Increase (decrease) in cash and cash equivalents	(2,652,492)	980,137
Cash and cash equivalents, beginning of period	12,578,650	10,780,672
Cash and cash equivalents, end of period	\$ 9,926,158	\$ 11,760,809

See notes to consolidated financial statements (unaudited).

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2018
(Unaudited)

1. Organization and Significant Accounting Policies

Nature of Operations

Texas Republic Capital Corporation (the “Company”) is the parent holding company of Texas Republic Life Insurance Company (“TRLIC”) and Texas Republic Life Solutions, Inc. (“TRLS”). The Company was incorporated in Texas on May 15, 2012, for the primary purpose of forming and capitalizing a life insurance company subsidiary.

The Texas Department of Insurance approved TRLIC’s life insurance charter on August 1, 2016. The Company capitalized TRLIC with \$3,000,000 and owns 100% of TRLIC. TRLIC began insurance operations on April 3, 2017 and is currently selling life and annuity products in the state of Texas. The Company made an additional capital contribution of \$2,000,000 to TRLIC in March 2018. TRLS, an insurance agency, was incorporated February 1, 2017. The Company capitalized TRLS with \$50,000 and owns 100% of TRLS.

From incorporation through April 2, 2017, the Company was involved in the sale of common stock to provide working capital. During this time the Company completed an organizational offering, three private placement stock offerings and an intrastate public stock offering in the state of Texas. The Company raised \$10,336,500 and incurred \$1,215,569 of offering costs through the issuance of 12,865,000 shares from the organizational offering and three private placement offerings. The intrastate public stock offering was registered to raise \$25,000,000 by offering 5,000,000 shares of its common stock and was ended on April 2, 2017. This offering raised \$10,010,485 and incurred \$1,444,127 of offering costs through the sale of 2,002,097 shares of the common stock.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. 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 footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting primarily of normal recurring accruals) considered necessary for a fair presentation of the results for the interim periods have been included.

The results of operations for the three and six-month periods ended June 30, 2018 are not necessarily indicative of the results to be expected for the year ended December 31, 2018 or for any other interim period or for any other future year. Certain financial information which is normally included in notes to consolidated financial statements prepared in accordance with U.S. GAAP, but which is not required for interim reporting purposes, has been condensed or omitted. The accompanying consolidated financial statements and notes thereto should be read in conjunction with the financial statements and notes thereto included in the Company’s report on Form 10-K for the year ended December 31, 2017.

Principles of Consolidation

The consolidated financial statements include the accounts and operations of the Company and its subsidiaries. All intercompany accounts and transactions are eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management’s knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2018
(Unaudited)

1. Organization and Significant Accounting Policies

Investments

Fixed maturity securities are comprised of bonds that are classified as available-for-sale and are carried at fair value with unrealized gains and losses, net of applicable income taxes, reported in accumulated other comprehensive income. The amortized cost of fixed maturity securities available-for-sale is generally adjusted for amortization of premium and accretion of discount.

Interest income, as well as the related amortization of premium and accretion of discount, is included in net investment income under the effective yield method. The amortized cost of fixed maturity securities available-for-sale is written down to fair value when a decline in value is considered to be other-than-temporary.

The Company evaluates the difference between the cost or amortized cost and estimated fair value of its investments to determine whether any decline in value is other-than-temporary in nature. This determination involves a degree of uncertainty. If a decline in the fair value of a security is determined to be temporary, the decline is recorded as an unrealized loss in stockholders' equity. If a decline in a security's fair value is considered to be other-than-temporary, the Company then determines the proper treatment for the other-than-temporary impairment. For fixed maturity securities, available-for-sale, the amount of any other-than-temporary impairment related to a credit loss is recognized in earnings and reflected as a reduction in the cost basis of the security; and the amount of any other-than-temporary impairment related to other factors is recognized in other comprehensive income (loss) with no change to the cost basis of the security.

The assessment of whether a decline in fair value is considered temporary or other-than-temporary includes management's judgment as to the financial position and future prospects of the entity issuing the security. It is not possible to accurately predict when it may be determined that a specific security will become impaired. Future adverse changes in market conditions, poor operating results of underlying investments and defaults on mortgage loan payments could result in losses or an inability to recover the current carrying value of the investments, thereby possibly requiring an impairment charge in the future.

Likewise, if a change occurs in the Company's intent to sell temporarily impaired securities prior to maturity or recovery in value, or if it becomes more likely than not that the Company will be required to sell such securities prior to recovery in value or maturity, a future impairment charge could result. If an other-than-temporary impairment related to a credit loss occurs with respect to a bond, the Company amortizes the reduced book value back to the security's expected recovery value over the remaining term of the bond. The Company continues to review the security for further impairment that would prompt another write-down in the value.

Purchases and sales of securities are recorded on a trade-date basis. Interest earned on investments is recorded on the accrual basis and is included in net investment income.

The Company's mortgage loan portfolio is comprised of residential properties with loan to appraised value ratios below 72%. Mortgage loans are carried at current book value. The fair values for mortgage loans are estimated using discounted cash flow analyses. For residential mortgage loans, the discount rate used was indexed to the LIBOR yield curve adjusted for an appropriate credit spread.

The Company's other long-term investments are comprised of lottery prize cash flows holdings held at amortized cost. They are categorized as other long-term investments in the statement of financial position and are assignments of the future rights from lottery winners purchased at a discounted price. Payments on these investments are made by state run lotteries.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts due from banks and money market instruments.

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2018
(Unaudited)

1. Organization and Significant Accounting Policies

Advances and Notes Receivable

Advances and notes receivable are recorded at unpaid principal balances. Management evaluates the collectability of advances and notes receivable on the specific identification basis. Uncollectible amounts are reported in the results of operations in the year the determination is made.

Deferred Policy Acquisition Costs

Costs that relate to and vary with the successful production of new business are deferred over life of the policy. Deferred acquisition costs, (DAC), consist of commissions and policy issuance, underwriting and agency expenses. DAC expenses are amortized primarily over the premium-paying period of the policies, using the same assumptions as were used in computing liabilities for future policy benefits.

Deferred Sales Inducement Costs

Sales inducement costs (SIC) are related to policy bonuses issued on some of the Company's annuity products. SIC is deferred at the issuance of the policy and amortized over the shorter of the bonus period or the life of the policy based on the expected future profits of the business. The amount deferred is based on the difference between the fund value with the bonus and the fund value without the bonus. There was \$72,979 of SIC deferred for the six months ended June 30, 2018 and \$1,760 of SIC amortized for the six months ended June 30, 2018. For the three months ended June 30, 2018 there was \$46,804 of SIC deferred and \$520 of SIC amortized. There was no SIC deferred or amortized during the three and six months ended June 30, 2017.

Furniture and Equipment

Furniture and equipment are carried at cost less accumulated depreciation or amortization. Office furniture, equipment and EDP equipment is recorded at cost or fair value at acquisition less accumulated depreciation or amortization using the straight-line method over the estimated useful life of the respective assets of three to seven years.

Policyholders' Account Balances

The Company's liability for policyholders' account balances represents the contract value that has accrued to the benefit of the policyholder as of the financial statement date. This liability is generally equal to the accumulated account deposits plus applicable bonus and interest credited less policyholders' withdrawals and other charges assessed against the account balance. Interest crediting rates for individual annuities range from 2.65% to 4.75%.

Future Policy Benefits

Future policy benefit reserves have been computed by the net level premium method with assumptions as to investment yields, mortality and withdrawals based upon the Company's experience. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of policy liabilities and the increase in future policy benefit reserves. Management's judgments and estimates for future policy benefit reserves provide for possible unfavorable deviation.

Common Stock

Common stock is fully paid, non-assessable and has a par value of \$.01 per share.

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2018
(Unaudited)

1. Organization and Significant Accounting Policies

Treasury Stock

Treasury stock, representing shares of the Company's common stock that have been reacquired after having been issued and fully paid, are recorded at cost.

Federal Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Deferred income taxes are provided for cumulative temporary differences between balances of assets and liabilities determined under GAAP and balances determined using tax bases.

Offering Costs

Certain costs directly related to the sale of the Company's securities are capitalized against the proceeds from the sales. These costs include legal fees, recruiting and training expenses, commissions, printing, mailing and other expenses related to the offering.

Net Loss Per Common Share Outstanding and Subscribed

Net loss per common share is calculated using the weighted average number of common shares outstanding and subscribed during the year. Shares sold during the period are considered to be outstanding for one half of the month in which they were sold. The weighted average common shares outstanding and subscribed were 14,863,930 and 14,745,610 for the six months ended June 30, 2018 and 2017, respectively. The weighted average common shares outstanding and subscribed were 14,863,764 and 14,862,714 for the three months ended June 30, 2018 and 2017, respectively.

Related Party Transactions

During 2015, the Company entered into an administrative service agreement with First Trinity Financial Corporation ("FTFC") for accounting and other services incidental to the operations of the Company. The Company paid FTFC \$15,170 for the six months ending June 30, 2017 related to this agreement. The Chairman of the Company is also the Chairman, President and Chief Executive Officer of FTFC. The administrative service agreement with FTFC was terminated effective April 30, 2017.

Subsequent Events

Management has evaluated all events subsequent to June 30, 2018 through the date that these financial statements have been issued.

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15"). ASU 2016-15 adds or clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows, including, but not limited to: (1) debt prepayment or debt extinguishment costs; (2) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; (3) contingent consideration payments made after a business combination; (4) proceeds from the settlement of insurance claims; (5) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; (6) distributions received from equity method investees; (7) beneficial interests in securitization transactions and (8) separately identifiable cash flows and application of the predominance principle. ASU 2016-15 is effective, with retrospective adoption, for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. Adoption of this guidance did not have any material impact on the Company's financial condition or results of operations.

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2018
(Unaudited)

1. Organization and Significant Accounting Policies

In March 2017, the FASB issued *ASU 2017-08, "Receivables-Nonrefundable Fees and Other Costs: Premium Amortization on Purchased Callable Debt Securities"* ("ASU 2017-08"). ASU 2017-08 revises the amortization period for certain callable debt securities held at a premium, requiring the premium to be amortized to the earliest call date. Under current GAAP, entities generally amortize the premium as an adjustment of yield over the contractual life of the instrument. ASU 2017-08 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019 with early adoption permitted. The Company is evaluating the securities the Company owns which were purchased at a premium.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – "Overall: Recognition and Measurement of Financial Assets and Financial Liabilities"* ("ASU 2016-01"). ASU 2016-01 provides guidance to improve certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Specifically, the guidance: (1) Require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. (2) Simplify the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value. (3) Eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. (4) Eliminate the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. (5) Require public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. (6) Require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. (7) Require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements. (8) Clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. ASU 2016-01 is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. The adoption of this guidance did not have a significant impact on the Company's financial statements.

In February 2016, the FASB issued *ASU 2016-02, "Leases"* ("ASU 2016-02"). ASU 2016-02 requires all lessees to recognize a lease liability and a right-of-use asset, measured at the present value of the future minimum lease payments, at the lease commencement date. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim reporting periods within that fiscal year, with early adoption permitted. ASU 2016-02 requires the application of a modified retrospective approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. While the Company is currently evaluating ASU 2016-02, the Company does not expect a material impact on the Company's financial condition or results of operations from the adoption of this guidance.

In June 2016, the FASB issued *ASU 2016-13, "Financial Instruments - Credit Losses"* ("ASU 2016-13"). ASU 2016-13 will change the way entities recognize impairment of financial assets by requiring immediate recognition of estimated credit losses expected to occur over the remaining life of many financial assets, including, among others, held-to-maturity debt securities, mortgage loans, lottery prize receivables, trade receivables, and reinsurance recoverable. ASU 2016-13 requires a valuation allowance to be calculated on these financial assets and that they be presented on the financial statements net of the valuation allowance. This methodology is referred to as the current expected credit loss model. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those annual periods. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact of this guidance on the Company's financial condition and results of operations. However, currently the Company does not expect a material impact on the Company's financial condition or results of operations from the adoption of this guidance.

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2018
(Unaudited)

1. Organization and Significant Accounting Policies

In January 2017, the FASB issued *ASU 2017-04, “Intangibles — Goodwill and Other” (“ASU 2017-04”)*. ASU 2017-04 will amend and simplify current goodwill impairment testing to eliminate Step 2 from the current provisions. Under the new guidance, an entity should perform the goodwill impairment test by comparing the fair value of a reporting unit with its carrying value and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value. An entity still has the option to perform the quantitative assessment for a reporting unit to determine if a quantitative impairment test is necessary. ASU 2017-04 will be effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. As the Company currently has no goodwill on its balance sheet, ASU 2017-04 is not expected to have an impact on the Company’s financial condition or results of operations.

In February 2018, the FASB issued *ASU 2018-02, “Income Statement — Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income” (“ASU 2018-02”)*. ASU 2018-02 was issued to address the income tax accounting treatment of the stranded tax effects within other comprehensive income due to the prohibition of backward tracing due to an income tax rate change that was initially recorded in other comprehensive income. This issue came about from the enactment of the Tax Cuts and Jobs Act on December 22, 2017 that changed the Company’s income tax rate from 35% to 21%. The ASU changed current accounting whereby an entity may elect to reclassify the stranded tax effect from accumulated other comprehensive income to retained earnings. The ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company is evaluating the effects of the enactment of the Tax Cuts and Jobs Act and ASU 2018-02, but does not expect a material impact on the Company’s financial condition or results of operations from the adoption of this guidance.

2. Investments

Fixed Maturity Securities Available-For-Sale

Investments in fixed maturity securities available-for-sale as of June 30, 2018 and December 31, 2017 are summarized as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
June 30, 2018 (Unaudited)				
Fixed maturity securities				
Corporate bonds	\$ 4,712,375	\$ 15,973	\$ 104,693	\$ 4,623,655
Total fixed maturity securities	<u>\$ 4,712,375</u>	<u>\$ 15,973</u>	<u>\$ 104,693</u>	<u>\$ 4,623,655</u>
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
December 31, 2017				
Fixed maturity securities				
Corporate bonds	\$ 2,288,321	\$ 93,942	\$ 7,675	\$ 2,374,588
Total fixed maturity securities	<u>\$ 2,288,321</u>	<u>\$ 93,942</u>	<u>\$ 7,675</u>	<u>\$ 2,374,588</u>

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2018
(Unaudited)

2. Investments (continued)

For securities in an unrealized loss position as of the financial statement dates, the estimated fair value, pre-tax gross unrealized loss and number of securities by length of time that those securities have been continuously in an unrealized loss position as of June 30, 2018 and December 31, 2017 are summarized as follows:

June 30, 2018 (Unaudited)	Fair Value	Unrealized Loss	Number of Securities
Fixed maturity securities			
Less than 12 months			
Corporate bonds	\$ 2,584,386	\$ 97,479	24
Greater than 12 months			
Corporate bonds	94,500	7,214	1
Total fixed maturity securities	\$ 2,678,886	\$ 104,693	25
December 31, 2017	Fair Value	Unrealized Loss	Number of Securities
Fixed maturity securities			
Greater than 12 months			
Corporate bonds	\$ 94,250	\$ 7,675	1
Total fixed maturity securities	\$ 94,250	\$ 7,675	1

As of June 30, 2018, all of the fixed maturity securities in a loss position had a fair value to amortized cost ratio equal to or greater than 89%. The 24 securities in a less than 12-month loss position had an average fair value to amortized cost ratio of 96%. The single issue in a loss position greater than 12-months had a fair value to amortized cost ratio of 93% and 92% as of June 30, 2018 and December 31, 2017, respectively. Two fixed maturity securities with a par value of \$250,000 are below investment grade as rated by Standard and Poor's as of June 30, 2018 and December 31, 2017.

The Company's decision to record an impairment loss is primarily based on whether the security's fair value is likely to remain significantly below its book value based on all the factors considered. Factors that are considered include the length of time the security's fair value has been below its carrying amount, the severity of the decline in value, the credit worthiness of the issuer and the coupon and/or dividend payment history of the issuer. The Company also assesses whether it intends to sell or whether it is more likely than not that it may be required to sell the security prior to its recovery in value.

For any fixed maturity securities that are other-than-temporarily impaired, the Company determines the portion of the other-than-temporary impairment that is credit-related and the portion that is related to other factors. The credit-related portion is the difference between the expected future cash flows and the amortized cost basis of the fixed maturity security and that difference is charged to earnings. The non-credit-related portion representing the remaining difference to fair value is recognized in other comprehensive income (loss).

Only in the case of a credit-related impairment where management has the intent to sell the security, or it is more likely than not that it will be required to sell the security before recovery of its cost basis, is a fixed maturity security adjusted to fair value and the resulting losses recognized in realized gains (losses) in the consolidated statements of operations. Any other-than-temporary impairments on equity securities are recorded in the consolidated statements of operations in the periods incurred as the difference between fair value and cost.

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2018
(Unaudited)

2. Investments (continued)

Based on management's review, the Company experienced no other-than-temporary impairments during the six months ended June 30, 2018 and the year ended December 31, 2017.

Management believes that the Company will fully recover its cost basis in the securities held as of June 30, 2018, and management does not have the intent to sell nor is it more likely than not that the Company will be required to sell such securities until they recover or mature. The temporary impairments shown herein are primarily the result of the current interest rate environment rather than credit factors that would imply other-than-temporary impairment.

Net unrealized gains/losses included in other comprehensive income for investments classified as available-for-sale are summarized as follows:

	(Unaudited) June 30, 2018	December 31, 2017
Unrealized appreciation (depreciation) on available-for-sale securities	\$ (88,720)	\$ 86,267
Adjustment to deferred acquisition costs	2,136	-
Net unrealized appreciation (depreciation) on available-for-sale securities	<u>\$ (86,584)</u>	<u>\$ 86,267</u>

The amortized cost and fair value of fixed maturity available-for-sale securities as of June 30, 2018, by contractual maturity, are summarized as follows:

	(Unaudited)	
	Amortized Cost	Fair Value
Due after one year through five years	\$ 839,389	\$ 839,171
Due after five years through ten years	3,317,581	3,282,118
Due after ten years	555,405	502,366
Total fixed maturity securities	<u>\$ 4,712,375</u>	<u>\$ 4,623,655</u>

The amortized cost and fair value of other long-term investments as of June 30, 2018, by contractual maturity, are summarized as follows:

	(Unaudited)	
	Amortized Cost	Fair Value
Due in one year or less	\$ 47,751	\$ 48,913
Due after one year through five years	154,513	176,966
Due after five years through ten years	59,343	78,280
Total other long-term investments	<u>\$ 261,607</u>	<u>\$ 304,159</u>

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
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(Unaudited)

2. Investments (continued)

Major categories of net investment income for the three and six months ended June 30, 2018 and 2017 are summarized as follows:

	(Unaudited)		(Unaudited)	
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Fixed maturity securities	\$ 27,799	\$ 23,079	\$ 80,347	\$ 45,997
Other long-term assets	10,607	-	10,607	-
Mortgage loans	6,229	-	6,229	-
Short-term and other investments	37,145	900	48,813	1,548
Gross investment income	81,780	23,979	145,996	47,545
Investment expenses	5,472	-	10,114	-
Net investment income	<u>\$ 76,308</u>	<u>\$ 23,979</u>	<u>\$ 135,882</u>	<u>\$ 47,545</u>

3. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) on the measurement date. The Company also considers the impact on fair value of a significant decrease in volume and level of activity for an asset or liability when compared with normal activity.

The Company holds fixed maturity securities that are measured and reported at fair market value on the consolidated statement of financial position. The Company determines the fair market values of its financial instruments based on the fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value, as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities. The Company has no Level 1 assets that would include securities traded in an active exchange market.

Level 2 - Observable inputs other than Level 1 prices 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. The Company's Level 2 assets and liabilities include fixed maturity securities with quoted prices that are traded less frequently than exchange-traded instruments or assets and liabilities whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes U.S. Government and agency mortgage-backed debt securities and corporate debt securities.

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. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes investments where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2018
(Unaudited)

3. Fair Value Measurements (continued)

The Company has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into the three-level fair value hierarchy. If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in the valuation inputs, or their ability to be observed, may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting the levels of the fair value hierarchy are reported as transfers in and out of the specific level category as of the beginning of the period in which the reclassifications occur.

The Company's fair value hierarchy for those financial instruments measured at fair value on a recurring basis as of June 30, 2018 and December 31, 2017 are summarized as follows:

June 30, 2018 (Unaudited)	Level 1	Level 2	Level 3	Total
Fixed maturity securities, available-for-sale				
Corporate bonds	\$ -	\$ 4,623,655	\$ -	\$ 4,623,655
Total fixed maturity securities	<u>\$ -</u>	<u>\$ 4,623,655</u>	<u>\$ -</u>	<u>\$ 4,623,655</u>
December 31, 2017	Level 1	Level 2	Level 3	Total
Fixed maturity securities, available-for-sale				
Corporate bonds	\$ -	\$ 2,374,588	\$ -	\$ 2,374,588
Total fixed maturity securities	<u>\$ -</u>	<u>\$ 2,374,588</u>	<u>\$ -</u>	<u>\$ 2,374,588</u>

Fair values for Level 2 assets for the Company's fixed maturity securities available-for-sale are primarily based on prices supplied by a third-party investment service. The third-party investment service provides quoted prices in the market which use observable inputs in developing such rates.

The Company analyzes market valuations received to verify reasonableness and to understand the key assumptions used and the sources. Since the fixed maturity securities owned by the Company do not trade on a daily basis, the third-party investment service prepares estimates of fair value measurements using relevant market data, benchmark curves, sector groupings and matrix pricing. As the fair value estimates of the Company's fixed maturity securities are based on observable market information rather than market quotes, the estimates of fair value on these fixed maturity securities are included in Level 2 of the hierarchy. The Company's Level 2 investments include corporate bonds.

The Company's fixed maturity securities available-for-sale portfolio is highly liquid and allows for a high percentage of the portfolio to be priced through pricing services.

Fair Value of Financial Instruments

The carrying amount and fair value of the Company's financial assets and financial liabilities disclosed, but not carried, at fair value as of June 30, 2018 and December 31, 2017 and the level within the fair value hierarchy at which such assets and liabilities are measured on a recurring basis are summarized as follows:

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2018
(Unaudited)

3. Fair Value Measurements (continued)

Financial Instruments Disclosed, But Not Carried, at Fair Value:

June 30, 2018 (Unaudited)					
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash equivalents	\$ 9,926,158	\$ 9,926,158	\$ 9,926,158	\$ -	\$ -
Mortgages on real estate	576,377	597,525	-	-	597,525
Other long-term investments	261,607	304,159	-	-	304,159
Accrued investment income	53,776	53,776	-	-	53,776
Advances and notes receivable	17,544	17,544	-	-	17,544
Total financial assets	\$ 10,835,462	\$ 10,899,162	\$ 9,926,158	\$ -	\$ 973,004
Financial liabilities					
Policyholders' account balances	\$ 2,907,705	\$ 2,141,226	\$ -	\$ -	\$ 2,141,226
Policy claims	8,434	8,434	-	-	8,434
Total financial liabilities	\$ 2,916,139	\$ 2,149,660	\$ -	\$ -	\$ 2,149,660

December 31, 2017					
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash equivalents	\$ 12,578,650	\$ 12,578,650	\$ 12,578,650	\$ -	\$ -
Accrued investment income	22,709	22,709	-	-	22,709
Advances and notes receivable	24,850	24,850	-	-	24,850
Total financial assets	\$ 12,626,209	\$ 12,626,209	\$ 12,578,650	\$ -	\$ 47,559
Financial liabilities					
Policyholders' account balances	\$ 1,487,763	\$ 1,155,525	\$ -	\$ -	\$ 1,155,525
Policy claims	2,504	2,504	-	-	2,504
Total financial liabilities	\$ 1,490,267	\$ 1,158,029	\$ -	\$ -	\$ 1,158,029

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. However, considerable judgment was required to interpret market data to develop these estimates. Accordingly, the estimates are not necessarily indicative of the amounts which could be realized in a current market exchange. The use of different market assumptions or estimation methodologies may have a material effect on the fair value amounts.

The following methods and assumptions were used in estimating the fair value disclosures for financial instruments in the accompanying financial statements and notes thereto:

Fixed Maturity Securities

The fair value of fixed maturity securities is based on the principles previously discussed as Level 1, Level 2 and Level 3.

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
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(Unaudited)

3. Fair Value Measurements (continued)

Cash and Cash Equivalents, Accrued Investment Income and Advances and Notes Receivable

The carrying value of these financial instruments approximates their fair values due to the expected short-term nature until the cash settlement of these items. Cash and cash equivalents are included in Level 1 of the fair value hierarchy due to their highly liquid nature. Accrued investment income and advances and notes receivable are included in Level 3 of the fair value hierarchy due to little or no availability of market activity for these types of assets.

Mortgages on Real Estate

The Company's mortgage loan portfolio is comprised of residential properties with loan to appraised value ratios below 72%. Mortgage loans are carried at current book value. The fair values for mortgage loans are estimated using discounted cash flow analyses. For residential mortgage loans, the discount rate used was indexed to the LIBOR yield curve adjusted for an appropriate credit spread.

Other Long-Term Investments

Other long-term investments are comprised of lottery prize receivables and fair value is derived by using a discounted cash flow approach. Projected cash flows are discounted using the average Citigroup Pension Liability Index in effect at the end of each period.

Policyholders' Account Balances

The fair value for liabilities under investment-type insurance contracts (accumulation annuities) is calculated using a discounted cash flow approach. Cash flows are projected using actuarial assumptions and discounted to the valuation date using risk-free rates adjusted for credit risk and the nonperformance risk of the liabilities.

The fair values for insurance contracts other than investment-type contracts are not required to be disclosed.

Policy Claims

The carrying amounts reported for these liabilities approximate their fair value.

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
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(Unaudited)

4. Income Taxes

The Company will file a consolidated return with its subsidiary TRLS. The Company's other subsidiary TRLIC files a separate federal return for life insurance companies. At August 1, 2016, TRLIC received its Certificate of Authority from the Texas Department of Insurance. TRLIC began insurance operations on April 3, 2017 and will be taxed as a life insurance company under the provisions of the Internal Revenue Code. Life insurance companies must file separate tax returns until they have been a member of the consolidated filing group for five years. Certain items included in income reported for financial statement purposes are not included in taxable income for the current period, resulting in deferred income taxes. As of June 30, 2018, TRLIC has \$985,055 in operating loss carryforwards that have originated since 2016. The operating loss carryforwards will expire in 2031 and 2032. TRLIC's operating loss carryforwards has a valuation allowance of \$206,862 against it at June 30, 2018, as the Company has not yet demonstrated the ability to generate taxable income.

The Company has net operating loss carryforwards of approximately \$3.8 million expiring in 2032 through 2037. A valuation allowance of \$796,648 has been established for net operating losses arising from 2012 through 2018 since the Company has not demonstrated the ability to generate taxable income. The utilization of those losses is restricted by the tax laws and some or all the losses may not be available for use.

The Company and its subsidiaries have no known uncertain tax benefits within its provision for income taxes. In addition, the Company does not believe it would be subject to any penalties or interest relative to any open tax years and, therefore, have not accrued any such amounts. The Company files U.S. federal income tax returns and income tax returns in various state jurisdictions. The 2014 through 2017 U.S. federal tax years are subject to income tax examination by tax authorities. The Company classifies any interest and penalties (if applicable) as income tax expense in the financial statements.

5. Concentrations of Credit Risk

The Company's cash is held at Plains Capital Bank in Austin, Texas, UBS Financial Services, Inc. in Lexington, Kentucky and City National Bank in Cross Lanes, West Virginia. During the quarter the Company closed accounts at First Financial Bank in Abilene, Texas and Amarillo National Bank in Amarillo, Texas. The Federal Deposit Insurance Corporation insures accounts up to \$250,000. Uninsured balances aggregate \$1,264,587 as of June 30, 2018. The Company monitors the solvency of all financial institutions in which it has funds to minimize the exposure for loss. The Company has not experienced any losses in this account and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Item 2: Management’s Discussion and Analysis of Financial Condition and Results of Operations

Capitalization

Texas Republic Capital Corporation (“we” “us”, “our”, “TRCC” or the “Company”) was incorporated in May 2012 as a financial services holding company. Between May 2012 and November 2013, we conducted an organizational offering and three private placements of our common stock. From the organizational offering and private placements, we raised \$10,336,500, incurred \$1,215,569 of offering costs and issued 12,865,000 shares of our common stock. During 2012, the funds raised, offering costs incurred and shares subscribed from the private placements were \$5,051,300, \$180,835 and 10,636,840, respectively. During 2013, the funds raised, offering costs incurred and shares subscribed from the private placements were \$5,285,200, \$1,034,734 and 2,228,160, respectively.

We began an intrastate public offering of our common stock at a price per share of \$5.00 on April 2, 2014 and completed that offering on April 2, 2017. The Company raised \$10,010,485 and incurred \$1,444,127 of offering costs through the issuance of 2,002,097 shares of the Company’s common stock less treasury stock of 3,000 shares from the intrastate public stock offering. During 2014, the funds raised, offering costs incurred and shares subscribed from the offering were \$3,143,800, \$576,613 and 628,760, respectively. During 2015, the funds raised, offering costs incurred and shares subscribed from the offering were \$1,901,925, \$326,734 and 380,385, respectively. During 2016 the funds raised, offering costs incurred and shares subscribed from the offering were \$3,062,510, \$330,516 and 612,502, respectively. During 2017 the funds raised, offering costs incurred and shares subscribed from the offering were \$1,902,250, \$210,264 and 380,450, respectively.

The Texas Department of Insurance approved TRLIC’s life insurance charter on August 1, 2016. The Company capitalized TRLIC with \$3,000,000 and owns 100% of TRLIC. TRLIC began insurance operations on April 3, 2017 and is currently selling life and annuity products in the state of Texas. The Company made an additional capital contribution of \$2,000,000 to TRLIC in March 2018. Texas Republic Life Solutions (“TRLS”), an insurance agency, was incorporated February 1, 2017. The Company capitalized TRLS with \$50,000 and owns 100% of TRLS.

We are a financial services holding company and have incurred significant net losses since our inception. As of June 30, 2018, we had an accumulated deficit of \$4,841,528. These losses have resulted primarily from costs incurred while raising capital. We expect to continue to incur operating losses until we achieve a volume of inforce life insurance policies that provides premiums that are sufficient to cover our operating costs.

Critical Accounting Policies and Significant Judgments and Estimates

Our management’s discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements that have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. On a continuing basis, we evaluate our estimates and assumptions.

We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following accounting policies, judgments and estimates are the most critical to the preparation of our consolidated financial statements.

Investments

Fixed maturity securities are comprised of bonds that are classified as available-for-sale and are carried at fair value with unrealized gains and losses, net of applicable income taxes, reported in accumulated other comprehensive income. The amortized cost of fixed maturity securities available-for-sale is generally adjusted for amortization of premium and accretion of discount.

Interest income, as well as the related amortization of premium and accretion of discount, is included in net investment income under the effective yield method. The amortized cost of fixed maturity securities available-for-sale is written down to fair value when a decline in value is considered to be other-than-temporary.

The Company evaluates the difference between the cost or amortized cost and estimated fair value of its investments to determine whether any decline in value is other-than-temporary in nature. This determination involves a degree of uncertainty. If a decline in the fair value of a security is determined to be temporary, the decline is recorded as an unrealized loss in stockholders' equity. If a decline in a security's fair value is considered to be other-than-temporary, the Company then determines the proper treatment for the other-than-temporary impairment. For fixed maturity securities available-for-sale, the amount of any other-than-temporary impairment related to a credit loss is recognized in earnings and reflected as a reduction in the cost basis of the security; and the amount of any other-than-temporary impairment related to other factors is recognized in other comprehensive income (loss) with no change to the cost basis of the security.

The assessment of whether a decline in fair value is considered temporary or other-than-temporary includes management's judgment as to the financial position and future prospects of the entity issuing the security. It is not possible to accurately predict when it may be determined that a specific security will become impaired. Future adverse changes in market conditions, poor operating results of underlying investments and defaults on mortgage loan payments could result in losses or an inability to recover the current carrying value of the investments, thereby possibly requiring an impairment charge in the future.

Likewise, if a change occurs in the Company's intent to sell temporarily impaired securities prior to maturity or recovery in value, or if it becomes more likely than not that the Company will be required to sell such securities prior to recovery in value or maturity, a future impairment charge could result. If an other-than-temporary impairment related to a credit loss occurs with respect to a bond, the Company amortizes the reduced book value back to the security's expected recovery value over the remaining term of the bond. The Company continues to review the security for further impairment that would prompt another write-down in the value.

Purchases and sales of securities are recorded on a trade-date basis. Interest earned on investments is recorded on the accrual basis and is included in net investment income.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts due from banks and money market instruments.

Income Taxes

We evaluate our deferred income tax assets, which partially offset our deferred tax liabilities, for any necessary valuation allowances. In doing so, we consider our ability and potential for recovering income taxes associated with such assets, which involve significant judgment. Revisions to the assumptions associated with any necessary valuation allowances would be recognized in the financial statements in the period in which such revisions are made.

Results of Operations – Three and Six Months Ended June 30, 2018 and 2017

Revenues

Our revenues are from the initial sales of insurance products and investment income from investments in fixed maturity available-for-sale securities. We began selling insurance products in May 2017. Revenue included \$235,757 from the sale of life insurance for the six months ended June 30, 2018 and \$83,858 from the sale of life insurance for the six months ended June 30, 2017. For the quarter ended June 30, the sale of life insurance generated \$158,289 and \$83,858 in revenue, respectively. The Company also accepted annuity deposits of \$1,316,811 in the six months ended June 30, 2018. For the three months ending June 30, 2018 the Company accepted annuity deposits of \$668,986. There were no annuity deposits accepted for the three and six months ended June 30, 2017. Annuity deposits generate revenue on investments but are not classified as revenue for GAAP reporting.

Investment income was \$135,882 for the six months ended June 30, 2018, an increase of \$88,337 from \$47,545 for the six months ended June 30, 2017. For the three months ended June 30, 2018 investment income of \$76,308 increased \$52,329 over the \$23,979 for the three months ended June 30, 2017. The increase is attributable to a larger invested asset base from annuity sales and consolidation of cash into higher yielding accounts which increased interest income on invested cash.

Expenses

Our expenses relate to operating a financial services holding company and a life insurance company and an insurance agency.

Expenses were \$1,035,530 for the six months ended June 30, 2018, an increase of \$183,393 from \$852,137 for the six months ended June 30, 2017. Increases in salaries and wages, office rent, furniture, professional fees and office expense accounted for \$106,876 of the increase. Direct policy related expenses were \$210,403 and \$61,372 during the six months ending June 30, 2018 and 2017 respectively. For the quarter direct policy related expenses were \$145,035 and \$61,372 for the three months ending June 30, 2018 and 2017 respectively. We expect our general and administrative expenses to continue to increase in the near future because of administrative expenses necessary for the entry into the life insurance business.

Net Loss

The net loss was \$623,329, or \$(0.04) per common share issued and outstanding for the six months ended June 30, 2018 compared to a net loss of \$720,734, or \$(0.05) per share, for the six months ended June 30, 2017. For the three months ending June 30, the operating loss was \$294,156 or \$(0.02) per share in 2018 and \$392,922 or \$(0.03) per share in 2017. The decrease in the net loss for the three and six months ending June 30, 2018, was primarily attributable to the increase in operating revenue from insurance and investment income. We expect our losses to continue in the near future as we incur increased costs to grow our life insurance business. The weighted average common shares outstanding and subscribed were 14,863,930 and 14,745,610 for the six months ended June 30, 2018 and 2017, respectively. The weighted average common shares outstanding and subscribed were 14,863,764 and 14,862,714 for the three months ended June 30, 2018 and 2017, respectively.

Financial Position – As of June 30, 2018 and December 31, 2017

Total assets of the Company increased from \$15,343,968 as of December 31, 2017 to \$16,063,298 as of June 30, 2018, an increase of \$719,330.

Cash decreased \$2,652,492 as we are investing to maximize yields to support the insurance operations. Additionally, the cash balance was higher in the first quarter of 2017 due to increased activity as we were closing the stock offering. Sales in the first quarter of 2017 exceeded the previous high quarter by 21%. The stock offering closed on April 2, 2017.

Total shareholder equity of the Company decreased from \$13,540,357 as of December 31, 2017 to \$12,739,177 as of June 30, 2018. The decrease is mainly due to the net loss from operations of \$623,329. Additionally, the change in unrealized losses on fixed income securities decreased equity by \$172,851.

Liquidity and Capital Resources

Since inception, our operations have been financed primarily through an organizational offering, three private placement offerings and an intrastate public stock offering. Through June 30, 2018, we received \$20,346,985 from the sale of 14,867,097 shares and incurred offering costs of \$2,659,696. During 2018, 2017 and 2016 we paid \$5,000, \$5,000 and \$10,000 for 2,000, 1,000 and 2,000 shares of Company's common stock that are held as treasury stock, respectively. Our operations have not been profitable and have generated significant operating losses since we were incorporated in 2012.

We had cash and cash equivalents totaling \$9,926,158 and \$12,578,650 as of June 30, 2018 and December 31, 2017, respectively. The Company maintains cash and cash equivalents at multiple institutions. The Federal Deposit Insurance Corporation insures interest and non-interest-bearing accounts up to \$250,000. Uninsured balances aggregate \$1,264,587 and \$4,993,908 as of June 30, 2018 and December 31, 2017 respectively. Other funds are invested in mutual funds that invest in U.S. government securities. We monitor the solvency of all financial institutions in which we have funds to minimize the exposure for loss. The Company has not experienced any losses in such accounts.

Capital provided from the public offering will provide a considerable amount of operating funds for current and future operations. The operations of TRLIC should provide ample cash flows from premium income and investment income to meet operating requirements. Life insurance contract liabilities are generally long term in nature and are generally paid from future cash flows.

We believe that our existing cash and cash equivalents will be sufficient to fund our anticipated operating expenses and capital expenditures for at least 12 months. We have based this estimate upon assumptions that may prove to be wrong and we could use our capital resources sooner than we currently expect. The growth of TRLIC may require additional capital as it continues to grow. As discussed above, the Company capitalized TRLIC with \$3,000,000 cash during the third quarter of 2016 and capitalized TRLS with \$50,000 during the second quarter of 2017. The Company made an additional capital contribution of \$2,000,000 to TRLIC in March 2018.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

SPECIAL NOTE CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements contained herein are forward-looking statements. The forward-looking statements are made pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, and include estimates and assumptions related to economic, competitive and legislative developments. Forward-looking statements may be identified by words such as “expects,” “intends,” “anticipates,” “plans,” “believes,” “estimates,” “will” or words of similar meaning; and include, but are not limited to, statements regarding the outlook of our business and financial performance. These forward-looking statements are subject to change and uncertainty, which are, in many instances, beyond our control and have been made based upon our expectations and beliefs concerning future developments and their potential effect upon us.

There can be no assurance that future developments will be in accordance with our expectations, or that the effect of future developments on us will be as anticipated. These forward-looking statements are not a guarantee of future performance and involve risks and uncertainties. There are certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements.

These factors include among others:

- general economic conditions and financial factors, including the performance and fluctuations of fixed income, equity, real estate, credit capital and other financial markets;
- differences between actual experience regarding mortality, morbidity, persistency, surrenders, investment returns, and our pricing assumptions establishing liabilities and reserves or for other purposes;
- the effect of increased claims activity from natural or man-made catastrophes, pandemic disease, or other events resulting in catastrophic loss of life;
- inherent uncertainties in the determination of investment allowances and impairments and in the determination of the valuation allowance on the deferred income tax asset;
- investment losses and defaults;
- competition in our product lines;
- attraction and retention of qualified employees and agents;
- ineffectiveness of risk management policies and procedures in identifying, monitoring and managing risks;
- the availability, affordability and adequacy of reinsurance protection;
- the effects of emerging claim and coverage issues;
- the cyclical nature of the insurance business;
- interest rate fluctuations;
- changes in our experiences related to deferred policy acquisition costs;
- the ability and willingness of counterparties to our reinsurance arrangements and derivative instruments to pay balances due to us;
- rating agencies’ actions;
- domestic or international military actions;
- the effects of extensive government regulation of the insurance industry;
- changes in tax and securities law;
- changes in statutory or U.S. generally accepted accounting principles (“GAAP”), practices or policies;
- regulatory or legislative changes or developments;
- the effects of unanticipated events on our disaster recovery and business continuity planning;
- failures or limitations of our computer, data security and administration systems;
- risks of employee error or misconduct;
- the introduction of alternative healthcare solutions;
- the assimilation of life insurance businesses we acquire and the sound management of these businesses; and
- the availability of capital to expand our business.

It is not our corporate policy to make specific projections relating to future earnings, and we do not endorse any projections regarding future performance made by others. In addition, we do not publicly update or revise forward-looking statements based on the outcome of various foreseeable or unforeseeable developments.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer (“Certifying Officers”), has evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities and Exchange Act of 1934 as amended (“Exchange Act”) as of the end of the fiscal period covered by this Quarterly Report on Form 10-Q. Based upon such evaluation, the Certifying Officers have concluded that the Company’s disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is made known to management, including our Certifying Officers, as appropriate, to allow timely decisions regarding disclosure and that such information is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms.

Changes to Internal Control over Financial Reporting

There were no changes in the Company’s internal control over financial reporting during the six months ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The Company sold 4,375,000 common shares at \$.02 per share to its organizing shareholders in May of 2012 for total proceeds of \$87,500. Subsequently, the Company completed three private placement stock offerings which raised \$10,249,000 through the issuance of 8,490,000 shares from the private placement offerings in 2012 and 2013, including a private placement of 2,000,000 shares for \$5,000,000 between February and November 2013. All of these shares were sold in reliance on the exemption from the registration requirements of the Securities Act of 1933 (the “1933 Act”) contained in Securities and Exchange Commission (“SEC”) Regulation D, Rule 506. No underwriter was involved in connection with the issuance of our shares, and we paid no finder’s fees in the private placements.

On April 2, 2014, the Company commenced an offering of 5,000,000 shares of common stock at \$5.00 per share (\$25,000,000 maximum) with a 10% over sale provision, in an intrastate public offering registered with the Texas State Securities Board. This offering was concluded on April 2, 2017 and was sold only to Texas residents pursuant to an exemption from the 1933 Act contained in Section 3(a)(11) of the 1933 Act and Rule 147 promulgated by the SEC. It was sold by issuer agents registered with the Texas State Securities Board. The Company raised \$10,010,485 and paid commissions of \$999,349 from the sale of 2,002,097 shares in this offering. Through June 30, 2018 the Company paid \$20,000 for 5,000 shares of the Company’s common stock (treasury stock). Proceeds have been used for working capital and the capitalization of a life insurance company and insurance agency.

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

None

Item 6. Exhibits

31.1 [Rule 13a-14\(a\)/15d-14\(a\) Certification of Principal Executive Officer](#)

31.2 [Rule 13a-14\(a\)/15d-14\(a\) Certification of Principal Financial Officer](#)

32.1 [Section 1350 Certification of Principal Executive Officer](#)

32.2 [Section 1350 Certification of Principal Financial Officer](#)

101.INS** XBRL Instance

101.SCH** XBRL Taxonomy Extension Schema

101.CAL** XBRL Taxonomy Extension Calculation

101.DEF** XBRL Taxonomy Extension Definition

101.LAB** XBRL Taxonomy Extension Labels

101.PRE** XBRL Taxonomy Extension Presentation

**XBRL Information is furnished and not filed as part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

In accordance with requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEXAS REPUBLIC CAPITAL CORPORATION

a Texas corporation

August 14, 2018

By: /s/ Timothy R. Miller
Timothy R. Miller, President and Chief Executive Officer

August 14, 2018

By: /s/ Thomas F. Kopetic
Thomas F. Kopetic, Chief Financial Officer

CERTIFICATION

I, Timothy R. Miller, Chief Executive Officer, certify that:

1. I have reviewed this Quarterly report on Form 10-Q of Texas Republic Capital Corporation;
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(s) 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)) for the registrant, 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 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: August 14, 2018

By: /s/ Timothy R. Miller

Timothy R. Miller, President and Chief Executive Officer

CERTIFICATION

I, Thomas F. Kopetic, Chief Financial Officer, certify that:

1. I have reviewed this Quarterly report on Form 10-Q of Texas Republic Capital Corporation;
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(s) 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)) for the registrant, 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 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: August 14, 2018

By: /s/ Thomas F. Kopetic

Thomas F. Kopetic, Chief Financial Officer

EXHIBIT NO. 32.1

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. ss. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Texas Republic Capital Corporation, a Texas Corporation (the "Company"), hereby certifies that:

To my knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2018 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2018

By: /s/ Timothy R. Miller

Timothy R. Miller, President and Chief Executive Officer

EXHIBIT NO. 32.2

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. ss. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Texas Republic Capital Corporation, a Texas Corporation (the "Company"), hereby certifies that:

To my knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2018 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2018

By: /s/ Thomas F. Kopetic

Thomas F. Kopetic, Chief Financial Officer