

**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 **March 31, 2021**

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)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common stock \$0.01 par	-	None

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer 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 April 30, 2021: 14,778,817 shares

**TEXAS REPUBLIC CAPITAL CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR QUARTERLY PERIOD ENDED MARCH 31, 2021**

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PART I – FINANCIAL INFORMATION**Item 1. Consolidated Financial Statements****Texas Republic Capital Corporation and Subsidiaries
Consolidated Statements of Financial Position**

	March 31, 2021	December 31, 2020
	(Unaudited)	
Assets		
Available-for-sale fixed maturity securities at fair value (Amortized cost: \$9,380,618 and \$9,589,936 as of March 31, 2021 and December 31, 2020, respectively)	\$ 10,226,509	\$ 10,756,242
Mortgage loans, net of allowance	6,587,051	7,704,704
Other long-term investments	3,469,522	3,548,095
Total investments	20,283,082	22,009,041
Cash and cash equivalents	12,672,815	10,985,917
Accrued investment income	168,540	166,386
Due premium	24,131	15,501
Deferred policy acquisition costs	1,059,706	1,052,533
Deferred sales inducement costs	856,176	911,784
Advances and notes receivable, net of allowance	143,707	127,858
Leased property - right to use	144,841	165,532
Prepaid assets	217,304	202,868
Furniture and equipment, net	25,402	26,393
Other assets	504,682	310,118
Total assets	\$ 36,100,386	\$ 35,973,931
Liabilities and Shareholders' Equity		
Policy liabilities		
Policyholders' account balances	\$ 26,846,976	\$ 25,490,906
Future policy benefits	748,083	652,846
Policy claims and other benefits	215,546	467,219
Liability for deposit-type contracts	10,111	10,059
Other policyholder liabilities	10,795	103,484
Total policy liabilities	27,831,511	26,724,514
Lease liability	144,841	165,532
Other liabilities	60,661	41,418
Total liabilities	28,037,013	26,931,464
Shareholders' equity		
Common stock, par value \$.01 per share, 25,000,000 shares authorized, 14,867,097 issued as of March 31, 2021 and December 31, 2020, 14,778,817 and 14,778,707 outstanding as of March 31, 2021 and December 31, 2020, respectively	148,671	148,671
Additional paid-in capital	17,538,618	17,538,618
Treasury stock, at cost (88,280 and 88,390 shares as of March 31, 2021 and December 31, 2020, respectively)	(86,490)	(86,600)
Accumulated other comprehensive income	845,891	1,166,306
Accumulated deficit	(10,383,317)	(9,724,528)
Total shareholders' equity	8,063,373	9,042,467
Total liabilities and shareholders' equity	\$ 36,100,386	\$ 35,973,931

See notes to consolidated financial statements (unaudited).

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

	Three Months Ended March 31,	
	2021	2020
Revenues		
Premiums and other considerations	\$ 169,616	\$ 119,145
Net investment income	290,968	216,976
Net realized losses on investments	(875)	-
Commission income	9,251	8,253
Total revenues	468,960	344,374
Benefits, claims and expenses		
Increase in future policy benefits	32,206	56,384
Death and other benefits	(14,092)	2,421
Interest credited to policyholders	363,633	206,151
Total benefits and claims	381,747	264,956
Policy acquisition costs deferred	(132,367)	(135,177)
Policy acquisition costs amortized	125,194	25,371
Commissions	173,144	171,086
Salaries and employee benefits	326,846	393,492
Office rent	23,718	22,759
Third-party administration fees	27,369	69,704
Travel, meals and entertainment	12,954	11,451
Professional fees	138,882	55,091
Other general and administrative expenses	50,262	118,890
Total benefits, claims and expenses	1,127,749	997,623
Net loss	\$ (658,789)	\$ (653,249)
Net loss per common share outstanding	\$ (0.04)	\$ (0.04)

See notes to consolidated financial statements (unaudited).

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

	<u>Three Months Ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Net loss	\$ (658,789)	\$ (653,249)
Other comprehensive loss		
Total net unrealized losses arising during the period	(321,290)	(568,340)
Less net realized investment gains (losses)	(875)	-
Net unrealized investment losses	(320,415)	(568,340)
Adjustment to deferred acquisition costs	-	1,404
Deferred taxes	-	87,104
Total other comprehensive loss	(320,415)	(479,832)
Total comprehensive loss	<u>\$ (979,204)</u>	<u>\$ (1,133,081)</u>

See notes to consolidated financial statements (unaudited).

Texas Republic Capital Corporation and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
Three Months Ended March 31, 2021 and 2020
(Unaudited)

	Common Stock \$.01 Par Value	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Shareholders' Equity
Balance as of January 1, 2020	\$ 148,671	\$ 17,538,618	\$ (104,485)	\$ 327,676	\$ (7,237,665)	\$ 10,672,815
Other comprehensive loss	-	-	-	(479,832)	-	(479,832)
Net loss	-	-	-	-	(653,249)	(653,249)
Balance as of March 31, 2020	<u>\$ 148,671</u>	<u>\$ 17,538,618</u>	<u>\$ (104,485)</u>	<u>\$ (152,156)</u>	<u>\$ (7,890,914)</u>	<u>\$ 9,539,734</u>
Balance as of January 1, 2021	\$ 148,671	\$ 17,538,618	\$ (86,600)	\$ 1,166,306	\$ (9,724,528)	\$ 9,042,467
Treasury shares issued	-	-	110	-	-	110
Other comprehensive loss	-	-	-	(320,415)	-	(320,415)
Net loss	-	-	-	-	(658,789)	(658,789)
Balance as of March 31, 2021	<u>\$ 148,671</u>	<u>\$ 17,538,618</u>	<u>\$ (86,490)</u>	<u>\$ 845,891</u>	<u>\$ (10,383,317)</u>	<u>\$ 8,063,373</u>

See notes to consolidated financial statements (unaudited).

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

	Three Months Ended March 31,	
	2021	2020
Operating activities		
Net loss	\$ (658,789)	\$ (653,249)
Adjustments to reconcile net loss to net cash used in operating activities:		
Accretion of discount on investments	(71,334)	(53,710)
Net realized capital losses (gains)	875	-
Provision for depreciation	3,372	2,917
Policy acquisition costs deferred	(132,367)	(135,177)
Policy acquisition costs amortized	125,194	25,371
Amortization of mortgage loan origination fees	21,496	8,270
Provision for estimated mortgage loan losses	(5,509)	-
Provision for estimated uncollectible advances and notes receivable	(3,983)	-
Interest credited to policyholders	363,633	206,151
Non-cash salary expense	110	-
Change in assets and liabilities:		
Accrued investment income	(2,154)	(27,692)
Due premium	(8,630)	(13,450)
Advances and notes receivable	(11,866)	(42,261)
Prepaid assets	(14,436)	38,056
Other assets	(194,564)	(89,838)
Future policy benefits	95,237	56,377
Policy claims	(251,673)	2,421
Other policy liabilities	(92,689)	110,656
Other liabilities	19,243	30,243
Net cash used in operating activities	(818,834)	(534,915)
Investing activities		
Purchases of furniture and equipment	(2,381)	-
Purchase of fixed maturity securities	-	(1,108,806)
Sales of fixed maturity securities	205,530	-
Payments on mortgage loans	1,121,176	436,387
Purchase of other long-term investments	-	(882,909)
Payments on other long-term investments	133,310	64,900
Net cash provided by (used in) investing activities	1,457,635	(1,490,428)
Financing activities		
Policyholder deposits	1,161,094	4,667,563
Policyholder withdrawals	(113,049)	-
Deposit-type contracts - deposits	52	-
Deposit-type contracts - withdrawals	-	(5,125)
Net cash provided by financing activities	1,048,097	4,662,438
Increase in cash and cash equivalents	1,686,898	2,637,095
Cash and cash equivalents, beginning of period	10,985,917	15,208,477
Cash and cash equivalents, end of period	\$ 12,672,815	\$ 17,845,572
Supplemental disclosure of non-cash financing activities		
Treasury stock issued as compensation	\$ 110	\$ -

See notes to consolidated financial statements (unaudited).

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2021
(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. In 2018 the Company made additional capital contributions totaling \$2,750,000 for the entire year. In 2019 the Company made two more capital contributions to TRLIC. The first contribution consisted of mortgage loans valued at \$857,133 and the second one was a \$1,300,000 cash contribution. Total capitalization of TRLIC was \$7,907,133 at March 31, 2021.

TRLS, an insurance agency, was incorporated February 1, 2017. The Company capitalized TRLS with \$50,000 and owns 100% of TRLS. In 2018 and 2020 the Company made additional capital contributions of \$100,000 and \$200,000, respectively. Total capitalization of TRLS was \$350,000 at March 31, 2021.

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 ended on April 2, 2017. Through this offering the Company raised an additional \$10,010,485 and incurred another \$1,444,127 of offering costs through the sale of 2,002,097 shares of 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 months ended March 31, 2021 are not necessarily indicative of the results to be expected for the year ended December 31, 2021 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, 2020.

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.

Reclassifications

Certain reclassifications have been made in the prior year financial statements to conform to current year classifications. These reclassifications had no effect on the previously reported net loss or shareholders’ equity.

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2021
(Unaudited)

1. Organization and Significant Accounting Policies (continued)

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 shareholders' 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 entirely of residential properties with loan to appraised value ratios below 89%. Mortgage loans are carried at current book value. A mortgage loan allowance has been established for any unforeseen losses using an industry approach, which establishes a reserve for possible loan losses charged to expense which represents, in the Company's judgement, the known and estimated credit losses existing in the loan portfolio. This reserve reduces the carrying value of investment in mortgage loans on the consolidated statement of financial position. The fair values for mortgage loans are estimated using discounted cash flow analysis. The discount rate used to calculate fair values 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. These investments 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 and money market instruments.

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2021
(Unaudited)

1. Organization and Significant Accounting Policies (continued)

Deferred Policy Acquisition Costs

Costs that relate to and vary with the successful production of new business are deferred over the 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 life policies and as profits emerge on annuity products. Amortization uses the same assumptions as were used in computing liabilities for future policy benefits. There was \$132,367 of DAC deferred for the three months ended March 31, 2021 and \$125,194 of DAC amortized for the three months ended March 31, 2021. There was \$135,177 of DAC deferred for the three months ended March 31, 2020 and \$25,371 of DAC amortized for the three months ended March 31, 2020.

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 bonus period on a straight-line basis. The amount deferred is based on the difference between the fund value with the bonus and the fund value without the bonus. There was \$856,176 and \$911,784 of SIC deferred at March 31, 2021 and December 31, 2020, respectively. For the three months ended March 31, 2021 there was \$40,860 of SIC deferred and \$96,469 of SIC amortized. There was \$230,124 of SIC deferred and \$46,940 of SIC amortized during the three months ended March 31, 2020.

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. Management had an allowance for possible uncollectable agent balances of \$80,561 and \$84,544 as of March 31, 2021 and December 31, 2020, respectively. Uncollectible amounts are reported in the results of operations in the year the determination is made.

Leased Property – Right to Use Asset

In February 2016, the FASB issued ASU 2016-02, Lease Accounting (Topic 842) (“ASU 2016-02”). Under ASU 2016-02, a lessee is required to recognize assets and liabilities for leases with lease terms of more than twelve months. The Company’s home office lease has a term greater than one year, and the Company recognizes on the balance sheet a right of use (“ROU”) operating lease asset and a lease liability, initially measured at the present value of the lease payments. Lease costs are recognized in the income statement over the lease term on a straight-line basis. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. The Company has a lease asset and liability of \$144,841 as of March 31, 2021 compared to \$165,532 as of December 31, 2020.

Furniture and Equipment

Furniture and equipment are carried at cost less accumulated depreciation or amortization. Office furniture, equipment and EDP equipment are recorded at cost or fair value at acquisition less accumulated depreciation or amortization using the straight-line method over a period that approximates the estimated useful life of the respective assets of three to seven years. Expenditures for improvements are capitalized, and expenditures for maintenance and repairs are expensed as incurred. Upon sale or retirement, the cost and related accumulated depreciation and amortization is removed from the related accounts, and the resulting gain or loss, if any, is reflected in income.

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 2.20% to 5.125%.

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2021
(Unaudited)

1. Organization and Significant Accounting Policies (continued)

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. Actual experience may emerge differently from that originally estimated. Any such difference would be recognized in the current year's consolidated statement of operations.

Common Stock

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

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 basis.

Net Loss Per Common Share Outstanding

Net loss per common share is calculated using the weighted average number of common shares outstanding during the year. The weighted average common shares outstanding were 14,778,725 and 14,764,587 for the three months ended March 31, 2021 and 2020, respectively.

Related Party Transactions

The Company entered into an agreement with First Trinity Financial Corporation (FTFC) where FTFC will use its resources to source mortgage loans on real estate and lottery bonds. FTFC will present to the Company investments based on criteria the Company has established. The Company has the option to purchase the presented investment assets directly from the seller or to decline the purchase based on the Company's analysis of the investment. All mortgage loans and lottery bonds that were purchased by the Company in 2020 were obtained through this agreement. The Chairman of the Company is also the Chairman, President, and Chief Executive Officer of FTFC. The Company paid \$118,107 to FTFC under the agreement for the year ending December 31, 2020. No such purchases have been made or fees have been paid in 2021 as of March 31, 2021.

Subsequent Events

Management has evaluated subsequent events for recognition and disclosure in the financial statements through the date the financial statements were available to be issued. The Company did not identify any subsequent events requiring recognition or disclosure.

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2021
(Unaudited)

1. Organization and Significant Accounting Policies (continued)

Recently Adopted Accounting Pronouncements

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 is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. The Company adopted ASU 2017-04 as of January 1, 2020. The adoption of this guidance did not have an impact on the Company’s results of operations, financial position, or liquidity.

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 adopted ASU 2017-08 as of January 1, 2020. The adoption of this guidance did not have a material effect on the Company’s results of operations, financial position, or liquidity.

In August 2018, the FASB issued *ASU No. 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement” (“ASU No. 2018-13”)*. This ASU eliminates, adds and modifies certain disclosure requirements for fair value measurements. Among the changes, entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. ASU No. 2018-13 is effective for interim and annual reporting periods beginning after December 15, 2019; early adoption is permitted. Entities may early adopt any eliminated or modified disclosure requirements and delay adoption of the additional disclosure requirements until their effective date. The Company adopted ASU 2018-13 as of January 1, 2020. The adoption of this guidance did not have a material effect on the Company’s results of operations, financial position, or liquidity.

Recently Issued Accounting Pronouncements

In September 2016, the FASB issued *ASU 2016-13, “Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments” (“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 recoverables. 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 had an original effective date for fiscal years beginning after December 15, 2019, including interim periods within those annual periods. The FASB recently delayed the effective date of ASU 2016-13 to fiscal years beginning after December 15, 2022 for smaller reporting companies, with early adoption permitted. The Company is currently evaluating the impact of this guidance on the Company’s financial condition and results of operations.

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2021
(Unaudited)

1. Organization and Significant Accounting Policies (continued)

In August 2018, the FASB issued ASU 2018-12 *Financial Services-Insurance (Topic 944) - Targeted Improvements to the Accounting for Long-Duration Contracts*. This update is aimed at improving the Codification related to long-duration contracts which will improve the timeliness of recognizing changes in the liability for future policy benefits, simplify accounting for certain market-based options, simplify the amortization of deferred acquisition costs, and improve the effectiveness of required disclosures. The amendments require an insurance entity to review and update assumptions used to measure cash flows at least annually and to update discount rate assumption at each reporting date. The amendment requires an insurance entity to measure all market risk benefits associated with deposit contracts at fair value, with change in fair value attributable to change in instrument-specific credit risk recognized in other comprehensive income. Additionally, the amendment will simplify amortization of deferred acquisition costs and other balances amortized in proportion to premiums, gross profits, or gross margins and require those balances be amortized on constant level basis over the expected term of the related contract. Deferred acquisition costs are required to be written off for unexpected contract terminations but are not subject to impairment test. The amendment further requires an insurance entity to add disclosures of disaggregated rollforwards of beginning to ending balances of the liability for future policy benefits, policyholder account balances, market risk benefits, separate account liabilities, and deferred acquisition costs. The insurance entity must also disclose information about significant inputs, judgments, assumptions, and methods used in measurement, including changes in those inputs, judgments, and assumptions, and the effect of those changes on measurement. These updates were originally required to be applied retrospectively to the earliest period presented in the financial statements for periods beginning after December 15, 2020. The FASB recently delayed the effective date of ASU 2018-12 to December 15, 2023 for smaller reporting companies, with early adoption permitted. The Company is currently evaluating the impact of this guidance on the Company's financial condition and results of operations.

2. Investments

Fixed Maturity Securities Available-For-Sale

Investments in fixed maturity securities available-for-sale as of March 31, 2021 and December 31, 2020 are summarized as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
March 31, 2021 (Unaudited)				
Fixed maturity securities				
Corporate bonds	\$ 9,380,618	\$ 851,782	\$ 5,891	\$ 10,226,509
Total fixed maturity securities	<u>\$ 9,380,618</u>	<u>\$ 851,782</u>	<u>\$ 5,891</u>	<u>\$ 10,226,509</u>
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
December 31, 2020				
Fixed maturity securities				
Corporate bonds	\$ 9,589,936	\$ 1,168,197	\$ 1,891	\$ 10,756,242
Total fixed maturity securities	<u>\$ 9,589,936</u>	<u>\$ 1,168,197</u>	<u>\$ 1,891</u>	<u>\$ 10,756,242</u>

Texas Republic Capital Corporation and Subsidiaries
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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 March 31, 2021 and December 31, 2020 are summarized as follows:

<u>March 31, 2021 (Unaudited)</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Number of Securities</u>
Fixed maturity securities			
Less than 12 months			
Corporate bonds	\$ 207,168	\$ 5,891	1
Greater than 12 months			
Corporate bonds	-	-	-
Total fixed maturity securities	<u>\$ 207,168</u>	<u>5,891</u>	<u>1</u>
<u>December 31, 2020</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Number of Securities</u>
Fixed maturity securities			
Less than 12 months			
Corporate bonds	\$ 5,750	\$ 625	1
Greater than 12 months			
Corporate bonds	100,911	1,266	1
Total fixed maturity securities	<u>\$ 106,661</u>	<u>1,891</u>	<u>2</u>

As of March 31, 2021, the only fixed maturity security in a less than 12-month loss position had a fair value to amortized cost ratio of 97.2%. As of December 31, 2020, the only fixed maturity security in a less than 12-month loss position had a fair value to amortized cost ratio of 90.2% and the one fixed maturity security in a loss position greater than 12-months had a fair value to amortized cost ratio of 98.8%.

As of March 31, 2021 and December 31, 2020, 1.7% and 1.5% of total fair value of fixed maturity securities were below investment grade as rated by Standard and Poor's, respectively.

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
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(Unaudited)

2. Investments (continued)

Based on management's review, the Company experienced no other-than-temporary impairments during the three months ended March 31, 2021 and one other-than-temporary impairment during the year ended December 31, 2020. Management decided to recognize an impairment loss on one of its fixed maturity securities due to the prolonged loss position and the degree of overall loss resulting from credit-related issues. The Company reported an impairment loss of \$94,246 through its statement of operations for the year ending December 31, 2020.

Except for the impaired security, management believes that the Company will fully recover its cost basis in the securities held as of March 31, 2021, 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 accumulated other comprehensive income for investments classified as available-for-sale are summarized as follows:

	(Unaudited) March 31, 2021	December 31, 2020
Unrealized appreciation on available-for-sale securities	\$ 845,891	\$ 1,166,306
Adjustment to deferred acquisition costs	-	-
Deferred taxes	-	-
Net unrealized appreciation on available-for-sale securities	<u>\$ 845,891</u>	<u>\$ 1,166,306</u>

The amortized cost and fair value of fixed maturity available-for-sale securities as of March 31, 2021, by contractual maturity, are summarized as follows:

	(Unaudited)	
	Amortized Cost	Fair Value
Due after one year through five years	\$ 3,947,290	\$ 4,232,245
Due after five years through ten years	2,948,533	3,256,399
Due after ten years	2,484,795	2,737,865
Total fixed maturity securities	<u>\$ 9,380,618</u>	<u>\$ 10,226,509</u>

For the three months ended March 31, 2021, the Company received \$205,530 of proceeds from sales and maturities of investments in available-for-sale securities and had \$127 and \$1,002 of gross gains and gross losses realized, respectively. For the year ended December 31, 2020, the Company received \$692,146 of proceeds from sales and maturities of investments in available-for-sale securities and had \$19,321 and \$10,486 of gross gains and gross losses realized, respectively.

The amortized cost and fair value of other long-term investments (which consists of lottery prize cash flows) as of March 31, 2021, by contractual maturity, are summarized as follows:

	(Unaudited)	
	Amortized Cost	Fair Value
Due in one year or less	\$ 902,953	\$ 931,789
Due after one year through five years	2,065,283	2,328,868
Due after five years through ten years	476,829	621,666
Due after ten years	24,457	36,968
Total other long-term investments	<u>\$ 3,469,522</u>	<u>\$ 3,919,291</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.

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2. Investments (continued)

Other long-term investments by geographic distribution:

	(Unaudited) March 31, 2021	%	December 31, 2020	%
California	\$ 503,184	14.5%	\$ 498,627	14.1%
Florida	240,359	6.9	238,587	6.7
Georgia	304,728	8.8	324,333	9.1
Indiana	384,265	11.1	396,533	11.2
Massachusetts	862,454	24.9	863,623	24.3
New York	583,778	16.8	616,315	17.4
Ohio	162,201	4.6	160,005	4.5
Oregon	127,287	3.7	126,217	3.6
Pennsylvania	301,266	8.7	323,855	9.1
Total	<u>\$ 3,469,522</u>	<u>100.0%</u>	<u>\$ 3,548,095</u>	<u>100.0%</u>

Mortgage Loans on Real Estate

The Company utilizes the ratio of the carrying value of individual mortgage loans compared to the individual appraisal value to evaluate the credit quality of its mortgage loans on real estate (commonly referred to as the loan-to-value ratio). Currently, all of the Company's mortgage loans are loans on residential properties. The Company's mortgage loans on real estate by credit quality using this ratio as of March 31, 2021 and December 31, 2020 are summarized as follows:

	(Unaudited)	
Loan-To-Value-Ratio	March 31, 2021	December 31, 2020
80% to 90%	\$ 494,358	\$ 618,695
70% to 80%	1,601,756	1,719,585
60% to 70%	3,040,101	3,686,385
50% to 60%	936,634	998,617
Less than 50%	514,202	681,422
Total	<u>\$ 6,587,051</u>	<u>\$ 7,704,704</u>

Texas Republic Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements
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2. Investments (continued)

Mortgage loans by geographic distribution:

State	(Unaudited) March 31, 2021	%	December 31, 2020	%
Alabama	\$ 142,603	2.2%	\$ 142,604	1.9%
California	187,780	2.9	188,195	2.4
Colorado	202,312	3.1	202,868	2.6
Connecticut	221,425	3.4	222,025	2.9
Florida	1,083,032	16.4	1,715,517	22.2
Georgia	363,092	5.5	363,603	4.7
Illinois	464,126	7.0	467,065	6.1
Indiana	47,294	0.7	48,966	0.6
Kentucky	108,219	1.6	109,376	1.4
Louisiana	98,081	1.5	99,179	1.3
Michigan	-	-	108,195	1.4
Missouri	373,242	5.7	375,773	4.9
South Carolina	28,748	0.4	29,384	0.4
Tennessee	722,536	11.0	736,619	9.6
Texas	2,324,637	35.3	2,345,107	30.4
Utah	-	-	329,324	4.3
Virginia	76,458	1.2	77,110	1.0
Wisconsin	143,466	2.1	143,794	1.9
Total	\$ 6,587,051	100.0%	\$ 7,704,704	100.0%

There were 3 mortgage loans with a principal balance of \$190,762 that were 90 days or more past due and still accruing interest as of March 31, 2021. There were 3 mortgage loans with a principal balance of \$191,110 that were 90 days or more past due and still accruing interest as of December 31, 2020. The Company had a mortgage loan allowance of \$32,454 and \$37,963 as of March 31, 2021 and December 31, 2020, respectively.

	(Unaudited) March 31, 2021	December 31, 2020
Beginning of year: mortgage loan allowance balance	\$ 37,963	\$ -
Current year change in provision of estimated mortgage loan losses	(5,509)	37,963
End of year: mortgage loan allowance balance	\$ 32,454	\$ 37,963

Major categories of net investment income for the three months ended March 30, 2021 and 2020 are summarized as follows:

	For the Three Months Ended March 31,	
	2021	2020
Fixed maturity securities	\$ 115,428	\$ 82,929
Other long-term assets	54,738	54,962
Mortgage loans	151,804	46,856
Short-term and other investments	190	38,433
Gross investment income	322,160	223,180
Investment expenses	(31,192)	(6,204)
Net investment income	\$ 290,968	\$ 216,976

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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 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.

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 March 31, 2021 and December 31, 2020 are summarized as follows:

<u>March 31, 2021 (Unaudited)</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed maturity securities, available-for-sale				
Corporate bonds	\$ -	\$ 10,226,509	\$ -	\$ 10,226,509
Total fixed maturity securities	<u>\$ -</u>	<u>\$ 10,226,509</u>	<u>\$ -</u>	<u>\$ 10,226,509</u>
<u>December 31, 2020</u>				
Fixed maturity securities, available-for-sale				
Corporate bonds	\$ -	\$ 10,756,242	\$ -	\$ 10,756,242
Total fixed maturity securities	<u>\$ -</u>	<u>\$ 10,756,242</u>	<u>\$ -</u>	<u>\$ 10,756,242</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 which use observable inputs in developing such rates.

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3. Fair Value Measurements (continued)

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 substantially all 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 March 31, 2021 and December 31, 2020 and the level within the fair value hierarchy at which such assets and liabilities are measured on a recurring basis are summarized as follows:

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

	March 31, 2021 (Unaudited)				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash equivalents	\$ 12,672,815	\$ 12,672,815	\$ 12,672,815	\$ -	\$ -
Mortgages on real estate	6,587,051	7,085,148	-	-	7,085,148
Other long-term investments	3,469,522	3,919,291	-	-	3,919,291
Accrued investment income	168,540	168,540	-	-	168,540
Advances and notes receivable	143,707	143,707	-	-	143,707
Total financial assets	\$ 23,041,635	\$ 23,989,501	\$ 12,672,815	\$ -	\$ 11,316,686
Financial liabilities					
Policyholders' account balances	\$ 26,846,976	\$ 26,547,398	\$ -	\$ -	\$ 26,547,398
Policy claims and other benefits	215,546	215,546	-	-	215,546
Total financial liabilities	\$ 27,062,522	\$ 26,762,944	\$ -	\$ -	\$ 26,762,944

	December 31, 2020				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets					
Cash and cash equivalents	\$ 10,985,917	\$ 10,985,917	\$ 10,985,917	\$ -	\$ -
Mortgages on real estate	7,704,704	8,358,970	-	-	8,358,970
Other long-term investments	3,548,095	4,103,229	-	-	4,103,229
Accrued investment income	166,386	166,386	-	-	166,386
Advances and notes receivable	127,858	127,858	-	-	127,858
Total financial assets	\$ 22,532,960	\$ 23,742,360	\$ 10,985,917	\$ -	\$ 12,756,443
Financial liabilities					
Policyholders' account balances	\$ 25,490,906	\$ 23,971,146	\$ -	\$ -	\$ 23,971,146
Policy claims and other benefits	467,219	467,219	-	-	467,219
Total financial liabilities	\$ 25,958,125	\$ 24,438,365	\$ -	\$ -	\$ 24,438,365

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Notes to Consolidated Financial Statements
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3. Fair Value Measurements (continued)

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.

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 loans on Real Estate

The Company's mortgage loan portfolio is comprised of residential properties with loan to appraised value ratios at or below 89%. 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 FTSE 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 and other benefits

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

4. Income Taxes

The Company files a consolidated return with its subsidiary TRLS. The Company's other subsidiary TRLIC files a separate federal return for life insurance companies. TRLIC is 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.

Texas Republic Capital Corporation and Subsidiaries
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4. Income Taxes (continued)

Deferred tax assets and deferred tax liabilities are recognized based on temporary differences between the financial reporting and tax basis of assets and liabilities using statutory rates. A valuation allowance is recorded against deferred tax assets if it is more likely than not that some or all of the deferred tax assets will not be realized. The Company cannot currently conclude that it is more likely than not that the remaining deferred tax assets will be utilized. Therefore, the Company's deferred tax assets have been fully offset by a valuation allowance. As a result, our effective tax rate from continuing operations was zero percent for the quarter ended March 31, 2021. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences will become deductible. For the purpose of federal income tax, the Company has net operating loss carryforwards as of March 31, 2021, which expire between 2031 and 2037. Net operating losses generated in 2018 and beyond do not expire and annual utilizations are limited to 80% of taxable income. The Coronavirus Aid, Relief, and Economic Security (CARES) Act signed into law on March 27, 2020, repeals the 80 percent limitation for taxable years beginning before January 1, 2021.

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 2017 through 2019 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 maintains cash and cash equivalents at multiple institutions. The Federal Deposit Insurance Corporation insures non-interest-bearing accounts up to \$250,000. Uninsured balances aggregate \$4,083,320 as of March 31, 2021. 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 these accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

6. Stock Incentive Plan

The Company's life subsidiary, TRLIC has an Agent Stock Incentive Plan ("ASIP"). The plan was approved in August 2018 by the Texas State Securities Board. The plan awards shares of Texas Republic Capital Corporation common stock to agents based on certain production levels achieved in sales of life and annuity products. Calculation of awards at December 31, 2020 are based on production for the period of January through December 2020. 110 shares have been issued in 2021. The ASIP will issue an additional 4,710 shares in 2021 awarded on 2020 production. The ASIP issued 4,120 shares in 2020 based on 2019 production. In addition, the Company granted 10,000 shares each in 2020 and 2019 as part of employment agreements to two employees.

7. Lease Commitment

The Company rents office space for its administrative operations under an agreement that expires in 2022. The lease includes an option to extend or renew the lease term. The operating lease liability includes lease payments related to options to extend or renew the lease term only if the Company is reasonably certain of exercising those options. The exercise of the renewal option is at the Company's discretion; at this time there is uncertainty as to the Company exercising its renewal option, so the option is not included in the determination of the present value calculation. In determining the present value of lease payments, the Company uses its incremental borrowing rate obtained from its main commercial bank.

Future payments under operating lease arrangements accounted for under ASC Topic 842 as of March 31, 2021 are as follows:

2021 (remaining)	\$	71,441
2022		96,597
Total operating lease payments, undiscounted	\$	168,038
Less: interest		(23,197)
Lease liability, at present value	\$	<u>144,841</u>

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

Overview

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. In 2018 the Company made additional capital contributions totaling \$2,750,000 for the entire year. In 2019 the Company made two more capital contributions to TRLIC. The first contribution consisted of mortgage loans valued at \$857,133 and the second one was a \$1,300,000 cash contribution. Total capitalization of TRLIC was \$7,907,133 at March 31, 2021.

TRLS, an insurance agency, was incorporated February 1, 2017. The Company capitalized TRLS with \$50,000 and owns 100% of TRLS. In 2018 and 2020 the Company made additional capital contributions of \$100,000 and \$200,000, respectively. Total capitalization of TRLS was \$350,000 at March 31, 2021.

We are a financial services holding company and have incurred significant net losses since our inception. As of March 31, 2021, we had an accumulated deficit of \$10,383,317. These losses have resulted from costs incurred while raising capital and start-up costs related to our insurance operations. We expect to continue to incur operating losses until we achieve a volume of inforce life insurance policies that provides premiums and investment income which 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 these estimates 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 shareholders’ equity.

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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 entirely of residential properties with loan to appraised value ratios below 89%. Mortgage loans are carried at amortized book value. A mortgage loan allowance has been established for any unforeseen losses using an industry approach. While we utilize our best judgment and information available, the ultimate adequacy of this allowance is dependent upon a variety of factors beyond our control, including the performance of the residential mortgage loan portfolio, the economy and changes in interest rates. Our allowance for possible mortgage loan losses consists of specific valuation allowances established for probable losses on specific loans and a portfolio reserve for probable incurred losses but not for specifically identified loans. The fair values for mortgage loans are estimated using discounted cash flow analysis. The discount rate used to calculate fair values was indexed to the LIBOR yield curve adjusted for an appropriate credit spread.

We consider mortgage loans on real estate impaired when, based on current information and events, it is probable that we will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the mortgage loan agreement. Impairment is measured on a loan-by-loan basis. Factors that we consider in determining impairment include payment status, collateral value of the real estate subject to the mortgage loan and the probability of collecting scheduled principal and interest payments when due. Mortgage loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired.

The Company's other long-term investments are comprised of lottery prize cash flows holdings held at amortized cost. These investments 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 and money market instruments.

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 life policies and as profits emerge on the annuity products, 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 bonus period on a straight-line basis. The amount deferred is based on the difference between the fund value with the bonus and the fund value without the bonus.

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 2.20% to 5.125%.

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. Actual experience may emerge differently from that originally estimated. Any such difference would be recognized in the current year's consolidated statement of operations.

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 Months Ended March 31, 2021 and 2020

Revenues

Our revenues are from the initial sales of insurance products and investment income from investments in fixed maturity available-for-sale securities, mortgage loans and other long-term assets. Revenue included \$169,616 from the sale of life insurance for the three months ended March 31, 2021 and \$119,145 for the three months ended March 31, 2020. The Company accepted annuity deposits of \$1,161,094 in the three months ended March 31, 2021 compared to annuity deposits of \$4,667,563 for the three months ended March 31, 2020. Annuity deposits generate revenue on investments but are not classified as revenue for GAAP reporting.

Net investment income was \$290,968 for the three months ended March 31, 2021, an increase of \$73,992 from \$216,976 for the three months ended March 31, 2020. The increase was primarily driven by additional invested assets. The Company has continued investing in mortgage loans on real estate, lottery bonds and corporate bonds to increase investment yields to support interest expense on our annuity deposits. The Company also moved all non-operating cash to interest bearing money market accounts.

Expenses

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

Expenses were \$1,127,749 for the three months ended March 31, 2021, an increase of \$130,126 from \$997,623 for the three months ended March 31, 2020. Significant expense categories are discussed below.

Total Benefits and Claims – Increases to policyholder liabilities increased benefits and claims expense by \$116,791 for the three months ended March 31, 2021 compared to the same period in the prior year. Expenses were \$381,747 and \$264,956 for the three months ended March 31, 2021 and 2020, respectively. The increase is primarily due to the interest credited to policyholders.

Commissions – Commission expenses were \$173,144 and \$171,086 for the three months ended March 31, 2021 and 2020, respectively. The increase of \$2,058 is consistent with new business issued and renewal commissions paid on previously issued business, net of any applicable commission recaptured.

Salaries and Employee Benefits – Salary and employee benefits expense decreased \$66,646 for the three months ended March 31, 2021 compared to the same period in the prior year. The decrease is primarily related to two less salaried employees and reduced costs savings from a switch made to a different health benefits plan for all employees.

Other Expenses – Professional fees increased \$83,791 for the three months ended March 31, 2021 compared to the same period in the prior year. The professional fees increase was due to additional public accounting firm fees as well as consulting actuarial fees for new product development.

Net Loss

The net loss was \$658,789, or \$(0.04) per share, for the three months ended March 31, 2021 compared to a net loss of \$653,249 or \$(0.04) per share, for the three months ended March 31, 2020. The \$5,540 increase in the net loss was primarily attributable to the increase and decrease in expenses described above offset slightly by the increase in revenues.

The weighted average common shares outstanding were 14,778,725 and 14,764,587 for the three months ended March 31, 2021 and 2020, respectively.

Financial Position – As of March 31, 2021 and December 31, 2020

Total assets of the Company increased from \$35,973,931 as of December 31, 2020 to \$36,100,386 as of March 31, 2021, an increase of \$126,455. Assets that increased or decreased materially in 2021 were fixed maturity securities, mortgage loans, other long-term investments, and cash and cash equivalents. The Company received proceeds from payments or sales of invested assets along with premium receipts from policies.

Total investments decreased by \$1,725,959, or 7.8%. This decrease was due to principal payments and sales of invested assets. As a result, cash and cash equivalents increased by \$1,686,898 for the three months ended March 31, 2021. All non-operating cash is held in interest bearing cash equivalent accounts. We continue to invest our excess cash in higher yielding investments as suitable options become available.

Policyholder liabilities include benefit reserves for both life and annuity policies, claim reserves, deposit funds and advance premiums. Policyholder liabilities increased \$1,106,997 at March 31, 2021 compared to December 31, 2020. The increase is directly related to the increase of annuity deposits and in-force life insurance.

Total shareholders' equity of the Company decreased from \$9,042,467 as of December 31, 2020 to \$8,063,373 as of March 31, 2021, a decrease of \$979,094. The decrease is mainly due to the net loss from operations of \$658,789. It also decreased due to reduced unrealized gains in the investment portfolio at March 31, 2021 compared to December 31, 2020.

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 March 31, 2021, we received \$20,346,985 from the sale of 14,867,097 shares and incurred offering costs of \$2,659,696. Since inception through December 31, 2018, the Company purchased 3,000 shares of the Company's common stock for \$15,000 held as treasury stock. Additionally, TRLIC has purchased another 111,000 shares of TRCC common stock at a cost of \$118,210 since 2018. The shares were purchased to compensate agents under TRLIC's Agent Stock Incentive Plan ("ASIP"). The Company has issued 5,720 treasury shares under the ASIP since inception of the plan and 20,000 total treasury shares as part of two employment agreements. The remaining 85,280 shares held by TRLIC and the 3,000 shares held by TRCC total 88,280 shares. These shares are held as treasury shares in the consolidated financial statements.

We had cash and cash equivalents totaling \$12,672,815 as of March 31, 2021. 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 \$4,083,320 as of March 31, 2021. 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 of TRCC. The operations of TRLIC should provide ample cash flows from premium income and investment income to meet operating requirements once a sufficient book of business has been established, or new policy sales are turned off, whichever happens first. Life insurance contract liabilities are generally long term in nature and are generally paid from future cash flows. The operations of TRLS should provide sufficient cash flows from commission income to meet operating requirements. TRLS is also less capital intensive than TRLIC since it does not retain any of the policy risks or capital requirements.

We believe that our existing cash and cash equivalents will be sufficient to fund our anticipated operating expenses and capital expenditures for at least the next 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. We are not aware of any commitments or unusual events that could materially affect our capital resources. We are not aware of any current recommendations by any regulatory authority which, if implemented, would have a material adverse effect on our liquidity, capital resources or operations.

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;
- the availability of capital to expand our business; and
- Coronavirus Disease impact on the economic environment.

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.

In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operating, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Changes to Internal Control over Financial Reporting

There were no changes in the Company’s internal control over financial reporting during the first quarter ended March 31, 2021 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. The Company incurred \$1,215,569 in offering costs to issue these shares. 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 these 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 ended 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 incurred offering costs of \$1,444,127 from the sale of 2,002,097 shares in this offering. Proceeds have been used for working capital and the capitalization of a life insurance company and insurance agency. Through March 31, 2021 the Company paid \$133,210 for 114,000 shares of the Company’s common stock (treasury stock). Subsequently, 5,720 shares have been redistributed to agents under the ASIP and 20,000 shares were issued as part of employment agreements.

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

May 13, 2021

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

May 13, 2021

By: /s/ Shane S. Mitchell
Shane S. Mitchell, Chief Financial Officer

EXHIBIT NO. 31.1

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: May 13, 2021

By: /s/ Timothy R. Miller

Timothy R. Miller, President and Chief Executive Officer

CERTIFICATION

I, Shane S. Mitchell, 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: May 13, 2021

By: /s/ Shane S. Mitchell

Shane S. Mitchell, 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 March 31, 2021 (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: May 13, 2021

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 March 31, 2021 (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: May 13, 2021

By: /s/ Shane S. Mitchell

Shane S. Mitchell, Chief Financial Officer