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CONCENTRATE OR ALLOCATE?

By Miles Kirkland

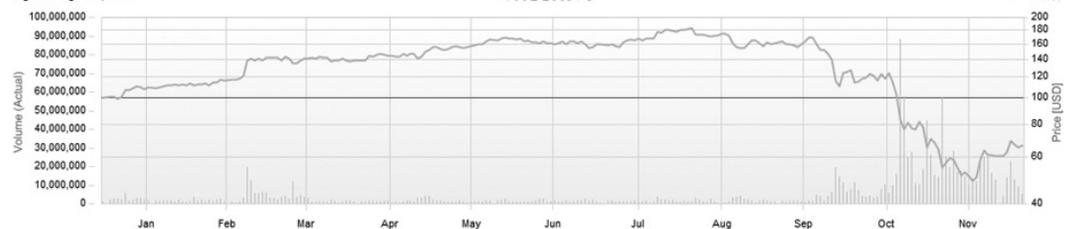
Everybody loves owning a “hot stock.” The feeling of leaving everyone else in the dust as your portfolio skyrockets is exhilarating and each day the stock moves higher, the owner is in fact richer.

Many investment luminaries advocate for concentrated portfolios....if you really want strong performance. Many hedge fund and regular equity managers have turned to concentrated portfolios featuring a limited number of stocks for which the manager has a high level of “conviction.” “Conviction” may be based on thorough research. But stuff happens.

Valeant Pharmaceuticals has dominated recent financial headlines. Many managers have been caught with very large positions in the one-time darling stock. Valeant has an elegant business model based on acquisitions, cost discipline, almost no Research & Development expense and “strategic pricing”, shorthand for massive price increases. The New York Times started it all with a Sunday article citing several examples of the degree to which prices were increased on very old drugs. A stock that had delivered a 2,981% return since the depths of recession at its peak has fallen 66% over the past 3 months. It looks like Valeant’s credibility will take a long time to rebuild; the elegant model is busted.

Year to Date - Price VRX (NYSE)

Low: 18-Nov-2015, 69.33
 High: 06-Aug-2015, 263.81



Corporations behind the stocks are very large and complex. We can’t know everything. Even when there are no allegations of bad behavior, economic sensitivity, large customers, large suppliers and competitors create a maze of risks that make investment analysis an imprecise science. As a result, large concentrations mean greater risk.

For company founders and long-time managers, concentrations often make sense and drive a great accumulation of wealth. For unaffiliated investors, we recommend a more careful approach. As a rule of thumb, we use 10% of the total portfolio as the lower limit for a “concentration.” We recommend a plan to reduce the concentration. First, at 10% or more of a portfolio a severe drop in an individual stock can substantially change a client’s net worth. Second, people have a tendency to “hang on” until the stock does what they expect it to do. We recommend at least a steady program for selling. The discipline to realistically assess risk as well as opportunity is every bit as important to the achievement of financial goals as owning the latest “hot stock.” ■



CHAIRMAN'S CORNER - FALL 2015

By Charlie Cook

November 19, 2003 is a date that I will long remember as the day that a number of the organizers of the then Nashville Bank and Trust Co. met and committed to provide the initial funding to create the bank that has become Truxton Trust Co. I was delighted to have been among that group of enthusiastic investors.

Not only did I agree to be an organizing investor, I agreed to come out of retirement to assist in raising the additional capital needed to open the bank and ultimately serve as its Vice Chairman. We succeeded in raising \$20 million over an eight month period which more than met the capital requirements imposed on us by the Tennessee Department of Financial Institutions, and we opened for business on August 30, 2004. In late 2009, the Board of Directors convinced me to serve as Chairman after the untimely death of our initial chairman, Don Thurmond; but the time has come for me to retire. My last day with the bank will be December 31.

The past twelve years have flown by largely because working in this industry with the people in this unique company has been such fun and so rewarding. I have told the staff many times that this is the most congenial, dedicated group of associates with whom I have ever worked. They are all true professionals who are happy to reach beyond the skill requirements of their

specific jobs to do whatever is necessary to serve our clients and obtain new ones. The financial results speak to the success this team has produced. Our returns on capital and assets are among the highest in the industry, our stock value has more than doubled since opening day, and the growth of both our banking assets and the assets under management in our wealth management business has been remarkable.

This will mark the fourth time that I have retired. I plan to make this one stick, however. There comes a time in every one's career when it is necessary to let others in the organization provide the leadership and continue the progress of the company. Truxton Trust is a very well-managed company with managerial talent and depth to be envied. Our clients, shareholders, and the community as a whole will not even notice a difference. I am very optimistic that Truxton Trust will grow and prosper under the outstanding leadership of our Board of Directors, Tom Stumb, and the marvelous team he has created. I will continue to be their most enthusiastic cheerleader.

My deep thanks to the Board of Directors for their continuous support, to this great group with whom I have spent the past 12 years, and to all our shareholders and customers who have shown such confidence in our endeavor. Thank you!!

TRUXTON: FROM CAKE TO KALE CHALLENGE

Judy Adams and Brooke Formosa debuted a month-long employee wellness program that encouraged healthier lifestyle choices. This initiative emphasized the importance of making small changes, like opting to take the stairs instead of the elevator. The entire company participated and each individual had the opportunity to earn points by completing daily challenges that promoted overall wellbeing. Thank you, Judy and Brooke, for encouraging Truxton to "Do the Right Thing."



MANAGEMENT CHANGES

Effective January 1, 2016, Charles W. Cook, Jr. will retire as Chairman of the Board of Directors and as a Director of Truxton Corporation the company's Board of Directors announced on November 23, 2015. Mr. Cook will become Chairman Emeritus upon his retirement. Also effective January 1, 2016, the company's CEO, Thomas S. Stumb, will become Chairman of the Board, and the company's CFO, Andrew L. May, will become President and rejoin the company's Board of Directors.

Mr. Cook was an organizer, founding director, and Vice Chairman of the company in 2003, and he has served as its Chairman since December 2009. Mr. Stumb, also an organizer and founding director of the company, has served as its President since its inception and as Chief Executive Officer since July 2008. Mr. Stumb will remain Chief Executive Officer of the company. Mr. May served as a director of the company from 2008 until he joined the company as its Chief Financial Officer in October 2010. Mr. May will remain Chief Financial Officer in addition to his new duties as President.

"The transition announced today has been planned over the past few years," said Chairman Cook. "The Board of Directors and I have great confidence in Tom Stumb and Andy May, and these promotions reflect that confidence. The future of our company looks very bright and I'm going to continue to do all I can to help our business continue to grow and prosper in the years ahead." ■

"EXCELLENT THIRD QUARTER AND DIVIDENDS DECLARED"

On October 22, 2015 Truxton Corporation (OTCPK: TRUX), a financial holding company and the parent of Truxton Trust Company, reported consolidated net income of \$1,264,000 for the third quarter of 2015, a 16 percent increase compared with \$1,089,000 for the third quarter of 2014. Earnings per fully diluted share for the three months were \$0.48 for 2015 compared to \$0.43 for the comparable period in 2014, a 12% increase. For the nine month period ended September 30, 2015, net income rose from \$3,090,000 to \$3,535,000, an increase of 14% from the same period a year ago. Earnings per fully diluted share for the nine months ended September 30, 2015 rose to \$1.35 from \$1.24 in the comparable period in 2014, an 8% rise.

At September 30, 2015, the company reported total assets of \$487.0 million, a 45 percent increase from September 30, 2014. The asset total was affected by a single, large, short-term deposit received at the end of September. Deposits were \$420.2 million at September 30, 2015, up 48% from the year ago quarter end. Over the same period, total loans increased 16 percent to \$251.4 million. At September 30, 2015, the Bank's estimated Tier 1 leverage ratio was 10.99%.

Wealth Management revenue was up 10% compared to the comparable quarter in 2014, reaching \$1,790,000.

Tangible Book Value per share at September 30, 2015 was \$15.97 compared to \$14.52 at the same time a year ago.

"Loan and deposit growth have been very strong this year, aided by Nashville's strong economy and our bankers' relationships," said CEO Tom Stumb. "We continue to see a solid pipeline of loan demand. Our wealth management team produces the vast majority of our non-interest income. We have continued to add clients and experience revenue growth even in the face of moderate declines in equity markets."

On November 18, 2015 Truxton Corporation announced that its Board of Directors has approved a semi-annual cash dividend of \$0.30 per common share payable December 28th, 2015 to shareholders of record as of December 7th, 2015. ■



TRUXTON TRUST

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WELCOME TO THE TEAM



Tania Turransky

Tania joined Truxton Trust in August as the Lending Administrator. She is a 14 year banking veteran with a strong background in consumer lending and deposits. She worked the last 6 years at Heritage Bank in Hopkinsville, KY., as Office Manager/Lender. Tania has held various positions throughout her banking career, including: Teller Coordinator, Sales and Service Manager and Customer Service Representative. She enjoys volunteering in her community with an emphasis on the elderly and mentally disabled. Her hobbies include quilting, collecting antiques, riding motorcycles and spending time with family and her dogs. Her favorite Nashville restaurants are Demo's, Newks and Hattie B's.



Matt O'Donoghue

Matt joined Truxton Trust in August as an Analyst. He graduated from Indiana University-Bloomington. He recently moved to Nashville from Chicago, where he was working in a variety of finance roles including proprietary trading and portfolio management for a small event driven fund. His favorite Nashville restaurants so far are Hattie B's, Whiskey Kitchen, and M.L. Rose.
