



## **Playing it safer pays off for Pegasus Bank**

**CHERYL HALL**

Joe Goyne will begin making some disappointing phone calls Wednesday morning.

The 66-year-old president of Pegasus Bank on West Mockingbird Lane and his staff will tell a number of shareholders and customers that they won't get to buy as many new shares of the bank as they'd hoped.

At a time when many community banks across the country are having a tough time raising capital, Pegasus has just completed a stock offering that was oversubscribed by 40 percent.

Pegasus put nearly 540,000 shares up for grabs to current shareholders and a dozen or so key customers. But it got takers for more than 740,000 shares.

Goyne didn't want extra capital not earning money while parked at the Federal Reserve, so he didn't increase the \$3.5 million offering.

"Some bankers will say, 'Let's get it while we can.' I've never been one for that," he says. "You have to make a reasonable return."

The new shares will be split 85 percent to existing shareholders and 15 percent to new ones.

### **Port in the storm**

These days, community banks are lucky to fetch book value for their shares, says Dory Wiley, chief executive of Commerce Street Capital LLC, which values banks for acquisitions and offerings. But Pegasus sold its shares for 1.2 times book, reflecting both the strength of the bank and the Texas premium that's in play.

"The world wants to be in Texas and particularly in Dallas," says Wiley, who did not work on the Pegasus offering but was familiar with it. "People are afraid of the stock market. They're afraid of public banks that aren't here. They can see Joe. They can touch Joe. And they trust him. They're looking for a port in the storm, so they wanted to give money to him."

Goyne, who started his banking career here with Lakewood Bank & Trust in 1969, has many longtime followers.

In 1997, Goyne, who was vice chairman of Comerica Bank-Texas, wanted to get back to community banking when he saw regional banks everywhere slicing into the muscle of service. "Bankers are somewhat like penguins. They follow each other," he says. Goyne and a group of investors bought an underperforming bank in downtown Dallas, renamed it Lone Star Bank and, in five years, grew its assets fivefold into \$230 million.

When Bank of the Southwest (now Amegy Bank) offered more than three times book value, Goyne figured the offer was too good to refuse.

He and many of his Lone Star investors used the money from that deal to start Pegasus in early 2007.

It now has assets of \$252 million and is profitable.

### **A cushier cushion**

Capital acts as a safety net for loans that don't perform as they were supposed to, and even though Goyne says the bank has no nonperforming loans, he wants to play it safer than necessary.

"We have always been well capitalized in the eyes of the regulators," he says. "We are 100 percent funded by deposits from the community. We don't have a nickel of borrowed money, hot money or funny money. Even though we've been profitable, we felt like we wanted to be what I call 'better-than-well' capitalized."

*(continued on back)*

That's because wealthy folks gravitate to soundness. These days it's more of a run. The FDIC only insures most accounts up to \$250,000, but people want the convenience of dealing with a limited number of banks. And like most community banks, Pegasus is struggling to attract solid loans.

Goyne wanted to add a little new blood, since "99.9 percent" of Pegasus' growth has been fueled by shareholders through referrals.

Deposit growth has skyrocketed in the past year. Meanwhile, people have become extremely debt averse, he says. If they take out a loan, they want to pay it off quickly.

"Twenty years ago, somebody would come to you and say, 'Joe, I want to buy this \$4 million airplane. How much can I borrow, and how long can I borrow it for?' " Goyne says. "Today they say, 'I want to buy this \$4 million plane. I'll pay \$2 million down, and I'll put a little debt on it. But I want to get it paid off as soon as possible.'

"I've never seen it like this in 40 years."

And there's another reason that Goyne wants a cushier capital cushion.

"What's happening in Europe is scary," he says. "You hear comments that Greece is so small that contagion from it doesn't matter. I disagree. The world's economies are fragile at best. Things could get much more difficult in India, China and certainly Europe. That's why I want to have more capital than we need to have."

***REPRINTED WITH PERMISSION OF THE DALLAS MORNING NEWS***