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Five Star Bank opens loan office in Chico

Growing interest in agricultural lending is one reason for the move

Premium content from Sacramento Business Journal by Mark Anderson, Staff Writer

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As other banks consolidate, **Five Star Bank** is expanding. The bank opened a loan production office in Chico this week, five months after launching an Elk Grove branch.

In part the expansion signals Five Star's growing interest in agricultural lending, which can be a good business in both of its new markets.

During the past year, Five Star hired some seasoned agricultural lenders, several of them veterans of **Stockmans Bank**, an Elk Grove bank that was acquired by Oregon-based **PremierWest Bank** in 2006.

Five Star hired a strong local banker in the Chico area, prompting it to open the office there, said [James Beckwith](#), the bank's chief executive.

The new Chico banker is [Marcy Sutcliffe](#), a vice president and loan production officer. Sutcliffe had been a lender with **Butte Community Bank**, which was closed by regulators and turned over to **Rabobank NA** in August 2010.

Sutcliffe worked for Rabobank until this month. She has lived in Butte County since 1974 and been a banker for nearly 30 years.

There is some flux in the local banking market in Chico and that tends to create opportunity, Beckwith said. "We think we can make a go of it up there."

Five Star is expanding as other banks have been shutting down branches as a way to cut expenses. Sacramento's **River City Bank** last year closed its Lincoln branch. **Bank of**

America announced it would close 10 percent of its branches over the next few years. And PremierWest Bank said it would close 11 branches in Oregon and Northern California in April to help save more than \$1 million a year.

Chico is a strong market with a lot of business, but it also has a lot of banks, said [Dave Alford](#), local bank consultant.

Because of very conservative credit controls in the banking industry these days, lending at many banks is very tight, which might give Five Star an edge in the Chico market, Alford said.

Five Star is a conservative lender, but it has a lot of capital because its well-heeled ownership has supported the bank with cash for expansion.

Local developer [Marvin "Buzz" Oates](#) launched Five Star Bank in 1999, hoping to raise \$10 million in the initial offering. Three weeks after the offering period opened, the bank raised more than \$12.5 million.

When it went for a second offering late in 2003, the bank raised another \$12.5 million in just a few weeks.

The bank raised \$12 million in December 2007 and another \$8 million at the end of 2009.

Five Star was organized under the **Internal Revenue Service** tax code as a subchapter S corporation, which means the bank doesn't pay taxes on its earnings. Rather, its limited number of shareholders pay taxes as in a partnership. Two other local bank startups tried to go after subchapter S status but ran out of capital.

Beckwith views Chico as a good market for commercial loans, real estate and agricultural lending and said he likes that "Chico has a vibrant business community."

Much of the Chico economy is driven by California State University Chico, but the town also has a strong spirit of entrepreneurship in the business community, Beckwith said.

Chico is also in the heart of the fertile Northern Sacramento Valley, which has had three or four strong years in agriculture.

High yields and prices have been the norm for field crops, row crops and orchard crops, and that is also a big opportunity for the bank, Beckwith said.

The bank has no other expansion plans pending.

"We want to grow Elk Grove and Chico for a while," Beckwith said.

Five Star, which has deposits of about \$394 million, opened its Rancho Cordova, Redding and Elk Grove branches as loan production offices before turning them into full-service bank branches.

Five Star earned \$8.1 million on assets of \$440 million in 2011, up from earning \$4.1 million on assets of \$399 million the year earlier.

Bank customers in the city of Chico have \$1.7 billion in deposits through 21 branches, according to the most recent survey figures from the **Federal Deposit Insurance Corp.**

Butte County has deposits of \$2.9 billion, more than either Yolo or El Dorado counties, which each have \$2.3 billion in deposits.

Chico is home turf for TriCo Bankshares (NASDAQ: TCBK), which has \$2.6 billion in assets and is the parent company of **Tri Counties Bank**, which operates 41 traditional branch locations and 27 in-store branch locations in 23 California counties.

TriCo has 11 branches in Butte County with \$581.9 million in deposits. It has the most deposits in Butte County, followed by **Wells Fargo Bank** with deposits of \$567.5 million through seven offices and Bank of America, with deposits of \$539.5 million through six branches. Rabobank has deposits of \$335 million through seven branches.

Five Star Bank timeline

Five Star Bank branch openings in the region:

- Rocklin: 1999
- Natomas: 2004
- Rancho Cordova: 2006
- Redding: 2008
- Elk Grove: 2011
- Chico: Loan production office, 2012

Mark Anderson covers banking, finance, accounting, technology, telecom, venture capital, hospitality, tourism and restaurants for the Sacramento Business Journal.