

CASE STUDY

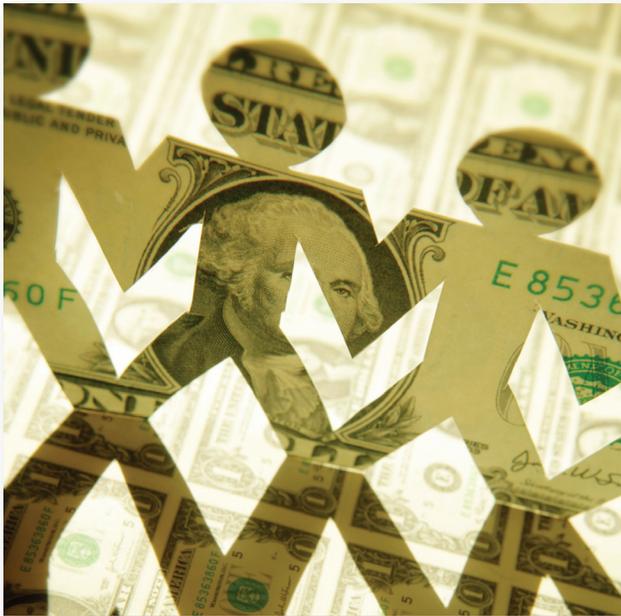
Protecting an Innovative Success Story in Banking

“I have never before seen such a surgically complete dissection of a complaint as achieved by you and your team.”

—Capitol Bancorp chairman Joseph D. Reid, a veteran litigator, in a letter congratulating Pillsbury attorneys on their victory



Client:	Capitol Bancorp Limited
Industry:	Financial services
Area of Law:	Securities litigation
Venues:	U.S. Court of Appeals for the 9th Circuit, U.S. District Court for the Northern District of California
Result:	Won a motion to dismiss all claims in U.S. District Court, which was affirmed by the 9th Circuit



Capitol Bancorp creates community banks from scratch, raising capital from local investors and mentoring new ventures in their formative stages. By then offering the local investors the opportunity to exchange their community bank shares for NYSE-listed shares of Capitol worth significantly more than the community bank's book value, the company has built a portfolio of 56 individually chartered banks since 1988.

This very successful business model includes the Napa Community Bank in northern California, which Capitol helped create in 2002. When Capitol thereafter made its stock swap offer in 2005, a few NCB investors argued that their shares were being undervalued. After failing to convince other NCB shareholders to reject the offer, they filed suit against Capitol for alleged violations of federal securities law and the California Corporations Code.

Pillsbury attorneys quickly succeeded in getting the state law claims dismissed with prejudice. They also persuaded the U.S. District Court that the plaintiffs had failed to allege that Capitol had made a material misstatement or omission in its exchange offer.

The district court dismissed the complaint, but gave the plaintiffs an opportunity to amend. Their First Amended Complaint was then also dismissed, because plaintiffs failed yet again to meet the federal pleading standards. On plaintiffs' appeal, the 9th Circuit Court of Appeals, in its published *Rubke v. Capitol Bancorp* opinion, adopted Pillsbury's arguments, affirming the dismissal in brisk language now routinely cited in other cases.