

Dissolution Actions Yield Less than Fair Market Enterprise Value (Appraising for “Fair Value” Under California Corporations Code Section 2000)

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While virtually all states have dissenters' rights appraisal statutes, only a few states have "dissolution statutes," addressing a minority stockholder's right to receive "fair value" in instances of minority oppression. California has had such a statute, with some amendments, for over twenty years. Minority oppression litigation is growing, and many other states' courts may look to California for precedent in similar cases of first impression. Here California attorney Art Shartsis summarizes his views on appraisal of a company under California Corporations Code Section 2000. – Shannon Pratt

“The fair value shall be determined on the basis of the liquidation value as of the valuation date but taking into account the possibility, if any, of sale of the entire business as a going concern in a liquidation.” Section 2000(a)

Introduction

California Corporations Code Section 2000 provides majority shareholders with a manner for determining “fair value” in order to buy the shares of a complaining minority shareholder who seeks dissolution of a corporation. Aside from the single sentence in Section 2000(a) quoted above, “[l]ittle help, if any, is provided by the statutory procedure which governs the appraisal process in a dissolution proceeding of a closely held corporation.”

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