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# Section 2000 Buyouts: How California Sets 'Fair Value' When a Shareholder Sues to Dissolve

Grand Park Law Group · November 7, 2026 · 7 min read




*Under Corporations Code section 2000, three court-appointed appraisers fix the value of the shares of a shareholder who sought dissolution.*

When a shareholder sues to dissolve a California corporation, the corporation or the holders of half the voting power may stop the case by buying the plaintiff's shares at "fair value." This memorandum explains the statutory procedure, the valuation standard, and what the published cases say about discounts, as of November 2026.

## I. Question Presented

How is "fair value" determined when purchasing parties elect a buyout under Corporations Code section 2000, and may the appraisers reduce the value of the moving party's shares for lack of control or lack of marketability?

## II. Short Answer

Fair value is "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." (Corp. Code, § 2000, subd. (a).) Three court-appointed appraisers fix the value, subject to confirmation. (§ 2000, subd. (c).) In *Brown v. Allied Corrugated Box Co.* (1979) 91 Cal.App.3d 477, decided under the predecessor statute, the court held that the moving parties' shares could not be devalued for their non-controlling status. *Brown* did not address a marketability discount, and we located no published California decision that does. *Go v. Pacific Health Services, Inc.* (2009) 179 Cal.App.4th 522 does not decide the discount question in its published part.

## III. Governing Law

### A. Grounds for Involuntary Dissolution

Corporations Code section 1800 permits a verified complaint by, among others, holders of at least 33 1/3 percent of the outstanding shares or common shares or equity, excluding shares of persons who personally participated in the misconduct ground, or by any shareholder of a close corporation. (Corp. Code, § 1800, subd. (a)(2).) The grounds include abandonment of the business for more than one year; board deadlock; shareholder deadlock; "persistent and pervasive fraud, mismanagement or abuse of authority or persistent unfairness toward any shareholders"; and, for a corporation with 35 or fewer shareholders, that liquidation is "reasonably necessary for the protection of the rights or interests of the complaining shareholder or shareholders." (§ 1800, subd. (b)(1)–(5).)

### B. The Section 2000 Buyout

Subject to contrary provisions in the articles, in any suit for involuntary dissolution the corporation, or if it does not elect, the holders of 50 percent or more of the voting power, may avoid dissolution "by purchasing for cash the shares owned by the plaintiffs." (Corp. Code, § 2000, subd. (a).) The same right applies to a voluntary dissolution initiated by holders of only 50 percent of the voting power. (*Ibid.*) The procedure runs as follows.

1. **Election and bond.** If the parties cannot agree on value, the purchasing parties may apply for a stay, but must post a bond to cover the moving parties' recoverable expenses, including attorney fees. (§ 2000, subd. (b).)
2. **Appraisal.** The court appoints three disinterested appraisers. Their award, or a majority's, "when confirmed by the court, shall be final and conclusive upon all parties." (§ 2000, subd. (c).)
3. **Alternative decree.** The court enters a decree providing for winding up and dissolution "unless payment is made for the shares within the time specified." (*Ibid.*) If the purchasers do not pay, judgment for the moving parties' expenses is entered against them and the sureties. (*Ibid.*)
4. **Valuation date.** For an involuntary suit, the valuation date is the date the action was commenced; the court may set another date for good cause. (§ 2000, subd. (f).)
5. **Damages offset.** Damages from a moving party's breach of an agreement may be deducted, unless the ground for dissolution is the misconduct ground in section 1800, subdivision (b)(4). (§ 2000, subd. (a).)

## IV. Analysis

### A. Liquidation Value Includes Going-Concern Value

*Mart v. Severson* (2002) 95 Cal.App.4th 521 held that "section 2000 expressly requires that the going concern value of the corporation be reflected in the fair value price." (*Id.* at p. 524.) The appraisers had unanimously valued the company at $5.6 million as a going concern. (*Id.* at pp. 526–527.) The trial court instead confirmed a $1.48 million piecemeal liquidation value because the


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moving shareholder had not signed an effective covenant not to compete. (*Id.* at pp. 529–530.) The Court of Appeal reversed. It held that appraisers "should always assume a hypothetical seller's covenant not to compete," and that section 2000 authorizes the court to set only the price. (*Id.* at p. 534.) It summarized the standard: "The fair value is the liquidation value. But liquidation value can mean going concern value if the corporation could be sold as a going concern in liquidation." (*Id.* at p. 533.)

### B. No Discount for Lack of Control

In *Brown v. Allied Corrugated Box Co.*, the plaintiffs held 49 of 100 shares. (91 Cal.App.3d at pp. 479–480.) The majority commissioners valued those shares at $27,195, in part because an outside buyer would obtain less than control. (*Id.* at pp. 481, 484.) The court acknowledged that lack of control would reduce value on the open market. (*Id.* at pp. 485–486.) It held, however, that the statutes "suggest that a minority shareholder who brings an action for the involuntary dissolution of a corporation should not, by virtue of the controlling shareholder's invocation of the buy-out remedy, receive less than he would have received had the dissolution been allowed to proceed." (*Id.* at p. 487.) In a dissolution, each share would receive the same amount. (*Id.* at p. 486.) The court also held that the corporation's goodwill could not be attributed to the controlling shareholder personally. (*Id.* at pp. 487–488.) *Brown* was decided under former sections 4658 and 4659. The subject matter of former section 4658 "is now found in Corporations Code section 2000." (*Id.* at p. 480, fns. 1–2.) *Mart* later relied on *Brown* in a section 2000 case. (95 Cal.App.4th at p. 532.)

### C. Marketability

Neither *Brown* nor *Mart* discusses a discount for lack of marketability. The rationale of *Brown*, that the moving party should receive what dissolution would yield, may support an argument against such a discount. But no published California decision we located so holds. The issue should be treated as open.

### D. What Go v. Pacific Health Services Decided

The published part of *Go v. Pacific Health Services, Inc.* concerns procedure, not discounts. The court's review of the valuation evidence appears in the unpublished part of the opinion. (179 Cal.App.4th at p. 525.) In the published part, the court held that the statute "mandated entry of the alternative decree," which the moving party "could not 'waive.'" (*Id.* at p. 532.) It described the buyout as optional and summary, and held that the only issue in the section 2000 proceeding "was the valuation of the corporation." (*Id.* at pp. 530–532.) Whether the purchasers were entitled to any offset were matters "that would have been determined in the section 1800 action for dissolution had defendants not elected to invoke section 2000," and the court declined to remand for further consideration of offsets. (*Id.* at p. 533.)

### E. The LLC Analog Uses a Different Standard

For limited liability companies, Corporations Code section 17707.03 allows the other members to avoid judicial dissolution by purchasing the moving members' interests at "their fair market value." (Corp. Code, § 17707.03, subd. (c)(1).) The procedure otherwise tracks section 2000:


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three appraisers, an alternative decree, and a valuation date fixed at commencement of the action. (§ 17707.03, subd. (c)(3)–(5).) A member who sues on the abandonment, deadlock, or misconduct grounds is not liable for breach-of-contract damages for bringing the action. (§ 17707.03, subd. (c)(1).) Because the LLC statute uses "fair market value" rather than liquidation-based "fair value," the corporate cases should not be assumed to control LLC valuations.

## V. Practical Considerations

- **Read the articles and shareholder agreements first.** Section 2000 applies "[s]ubject to any contrary provision in the articles," which may incorporate a separate buy-sell agreement.
- **The valuation date is the filing date.** A party seeking a different date must move and show good cause. (§ 2000, subd. (f).)
- **Instruct appraisers on the statutory standard.** *Mart* and *Brown* show that disputes turn on whether the appraisers applied going-concern value and avoided control-based reductions.
- **The buyout is an option.** After value is fixed, the purchasing parties may pay or allow dissolution. If they do not pay, they bear the moving parties' expenses under the bond. (§ 2000, subds. (b)–(d).)
- **Preserve damages claims.** A breach-of-agreement offset is unavailable where dissolution rests on section 1800(b)(4). Under *Go*, other offset questions are matters for the section 1800 action, so they should be raised before the buyout is elected.
- **Appellate review.** Factual valuation findings are reviewed for substantial evidence; interpretation of section 2000 is reviewed de novo. (*Mart*, *supra*, 95 Cal.App.4th at p. 530.)

## VI. Authorities Cited

- Corporations Code section 1800
- Corporations Code section 2000
- Corporations Code section 17707.03
- *Brown v. Allied Corrugated Box Co.* (1979) 91 Cal.App.3d 477
- *Mart v. Severson* (2002) 95 Cal.App.4th 521
- *Go v. Pacific Health Services, Inc.* (2009) 179 Cal.App.4th 522

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| Practice | Corporate Governance |
| Topics | Shareholder Disputes · Involuntary Dissolution · Section 2000 · Fair Value |
| Publication | Corporate & Business · November 7, 2026 |

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