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Expulsion or Oppression of Business Associates - "Squeeze-Outs" in Small Enterprises, by F. Hodge O'Neal and Jordan Derwin

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EXPULSION OR OPPRESSION OF BUSINESS ASSOCIATES—"SQUEEZE-OUTS" IN SMALL ENTERPRISES. By F. Hodge O'Neal and Jordan Derwin. Durham, North Carolina: Duke University Press. 1961. Pp. vii, 247. \$10.00.

This comprehensive study on the causes of and remedies against oppression or elimination of partners or stockholders in small business

indicates in his note 55 on page 133, this reviewer does not agree with Professor Tedeschi's statement of the new rule. For accurate discussion of the *Williams* case, *supra*, see Guild, *Stranger Attack on Sister-State Decrees of Divorce*, 24 U. CHI. L. REV. 376 (1957).

36. FRENCH CIVIL CODE, Art. 5.

37. See Article 19, Decree 58-1281, December 22, 1958.

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organizations was prepared under a research grant from the Small Business Administration pursuant to the Small Business Investment Act of 1958.¹ It is clearly written, meticulously and laboriously documented, with a multitude of litigated cases and references to pertinent writings on the subject.

The book is divided into eight chapters and an appendix, the first chapter setting forth the scope of the study. Chapter II, entitled "Underlying Causes of Squeeze-Outs," treats and makes easy to understand, by the use of illuminating examples and case citations, both the motives and the causes for corporate or partnership dissension within small business concerns which ultimately lead to squeeze-outs or attempted squeeze-outs of company members. This is followed by a presentation, in Chapters III, IV and V, of the various possible "Squeeze-Out Techniques," listing an appalling variety of possibilities available to a *mala fide* businessman desirous of obtaining unfair advantages over his business associate or associates. These techniques are elaborated in a general discussion accompanied by particularized explanations and examples of application.

Chapter VI specializes in "Squeeze-Outs in Partnerships," although the devices signalled therein are, in most cases, equally usable in corporations and other forms of business associations.

The defensive weaponry against the evils reviewed in the previous chapters is dealt with in Chapter VII, and Chapter VIII is *de lege ferenda*. Drawing upon British and Irish experience, it covers in detail desirable legislative measures which might reduce the abuses signalled in the preceding chapters.

The Appendix contains four case histories, developed in detail, which make interesting reading; but add little to the general understanding of the subject since the book is sufficiently lucid without them.

The title of the book suggests an area where advice is in demand. It is, in fact, for this reason that the Small Business Administration found it in the public interest to encourage its writing. "Directed both to owner-managers of small businesses and to the legal specialists who serve them,"² the book admirably accomplishes this purpose. While it uncovers no new material, it forcefully alerts the small businessman to the necessity of seeking legal advice of competent counsel before entering into any business transaction, rather than bottom his future business relationships solely on trust and confidence, as experience shows he does. Regarding services to attorneys, it is a valuable handbook saving much research time

1. 72 Stat. 689 (1958), 15 U.S.C. § 672 (1958).

2. Preface.

and effort for the general law practitioner who is faced with a squeeze-out or oppression question.

The legal problems involved in partner-copartner and majority-minority stockholder relationships are passed in review by way of citation of and reference to litigated cases, and emphasis is placed upon the principle that transactions between partners, if they are to stand, must be characterized by the utmost of good faith and full disclosure of material facts. The book does not contain a discussion of the remedies available to a businessman who desires to rid himself of a dishonest or otherwise obnoxious associate, nor does it underscore the fact that none of the squeeze-out techniques discussed in this book are really effective, in that equity has proved itself sufficiently vigilant to frustrate the machinations of the schemer in practically every case cited by the authors.

This is a valuable and handy "how-to" manual, which will add to both the understanding of squeeze-out and oppression problems, as well as of the armory of weapons against them. Both businessman and lawyer using the book are likely to find most of their questions answered.

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