



Maryland Chamber of Commerce

Legislative Position

**SB 820
OPPOSE**

**Finance
Committee
3/10/09**

SB 820

Employee Opportunity to Purchase Act

Bill Summary: This bill would require a business with more than 5 employees located in Maryland to offer to sell the business, or its facilities and equipment, to its employees prior to the sale, closure, or relocation of the business out of state. The Department of Business and Economic Development (DBED) would also be required to conduct a feasibility study of an Employee Stock Ownership Plan (ESOP) if petitioned by at least 10 percent of the business's employees.

Chamber Position: The Maryland Chamber of Commerce opposes this bill because it diminishes the rights of commercial property owners and will further damage Maryland's image as a place to do business, or even go out of business.

One of the inherent rights of property ownership is the right to convey the property. This bill attempts to legislate away a commercial property owner's right to convey property to a buyer of their choice by requiring that the property must first be offered to employees. Such a legislated right of first refusal is unfair because it would reduce the price that such properties would command in the marketplace and mire a company's sale in a protracted process of evaluating the feasibility of a purchase by employees.

The bill's process for evaluating an employee takeover of a business is unworkable. Every potential sale of a company, its closure, or relocation out of state would be held up by the 60-day notice period to employees. There would be disputes regarding the company's "market value" offer to sell. Only 10 percent of a company's employees would be able to trigger a further unlimited delay in transactions while DBED conducted a feasibility study of establishing an ESOP.

The fiscal note observes that there could be a potentially significant increase in expenditures for DBED to conduct the required studies, for which funding does not exist. The fiscal note also notes that affected businesses could also incur substantial costs in establishing an ESOP for its employees.

For these reasons, the Maryland Chamber urges that this bill be given an unfavorable report.

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