

## CHAFFE NEWSLETTER SUMMER 2023

### HOT TOPICS

#### **Death sentence for noncompetes: What the FTC rule proposal means to you.**

On January 5, 2023, the Federal Trade Commission proposed a new rule, which would impose a near-complete ban on the use of noncompetes by employers. The FTC's mission is to protect the public from deceptive or unfair business practices and from unfair methods of competition.

Marc S. Katsanis and Nene Glenn Gianfala take a look at the potential advantages and disadvantages of the proposed rule and the possible impact on the labor market and industry dynamics. [View the full article in Lagniappe Magazine here.](#)

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#### **'Tax Affecting' Allowed for the Vanderbilt's Biltmore Estate**

The Cecils gifted an interest in the company that owned and operated the Biltmore House. The Cecils' Forms 709 were selected for audit, and the IRS issued notices of deficiency. One of the closely watched issues in Estate of William A.V. Cecil, SR. et al. v. Commissioner was how the court would consider tax affecting the subject entity's income.

The experts on both sides agreed that tax affecting was necessary to value the subject stock and that the SEAM method is the appropriate method to employ to account for tax affecting. In T.C. Memo. 2023-24, Code Sec(s) 2501; 2512; 2513 released February 28, 2023, the court concluded that the circumstances of this case required tax affecting.

However, Judge Ashford noted, "We emphasize, however, that while we are applying tax affecting here, given the unique setting at hand, we are not necessarily holding that tax affecting is always, or even more often than not, a proper consideration for valuing an S corporation."

This is the first time that the tax court condoned the use of tax affecting and the use of the SEAM, a method supported by most business valuation experts. This decision is important for taxpayers in valuations for estate and gift taxes. Click [here](#) to learn more how Chaffe & Associates can provide business valuations for estate and gift tax purposes.

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#### **Reasonable People Can Disagree**

Clary Hood, Inc. v. Commissioner T.C Memo. 2022-15 raised the issue of reasonable compensation under IRC Sec. 162(a)(1). The IRS questioned whether the amounts paid to Mr. Hood were deductible as a necessary business expense.

In 1980, Clary Hood and his wife founded Clary Hood, Inc, a successful construction company. Mr. Hood and his wife were the sole shareholders and sole members of the board of directors of the C corporation. Mr. and Mrs. Hood provided debt guaranties and surety bond guaranties for the company for which they were not compensated. Mr. Hood's bonus was set by the board of directors at \$5 million for each of 2015 and 2016 and was meant in part to compensate him for under compensation in prior years.

The IRS issued a notice of deficiency to the company claiming Mr. Hood's compensation exceeded reasonable compensation under 26 U.S.C. § 162 and disallowed portions of the compensation. In determining the appropriate level or remuneration, the Tax Court found the IRS expert's multifactor approach most helpful.

Chaffe regularly uses the multifactor approach and can assist you in a reasonable compensation analysis. [View the full article here.](#)

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#### **Fairness: The New Winning Strategy**

Winning a dispute does not require an extreme position, despite what current times would have most believe. An extreme position is not likely to be in either the client's or attorney's best interest.

Your client probably does not want to be involved in litigation. If the dispute is a divorce, your client wants it behind them. If it is a business dispute, your client wants to be running the business, not dealing with the litigation. Litigation causes clients heartburn. Clients know that litigation is slow and expensive. Litigation often costs your client more than time and money; it often costs them relationships.

[View the full article here](#)

Chaffe's professionals provide expert opinions that are well reasoned and supported.

## CHAFFE'S CLOSED DEALS IN FIRST HALF OF 2023

**PELLERIN**  
 LAUNDRY MACHINERY SALES COMPANY, INC.

acquired a minority stake in

Polymark Laundry

Chaffe & Associates, Inc. acted as exclusive financial advisor to Pellerin Laundry Machinery Sales Company, Inc. in this transaction.

Investment banking services are provided by Chaffe Securities, Inc., member FINRA/SIPC

**MATTHEWS BROTHERS**

was recapitalized by

**CARR'S HILL PARTNERS**

Chaffe & Associates, Inc. acted as exclusive financial advisor to Matthews Brothers in this transaction.

Investment banking services are provided by Chaffe Securities, Inc., member FINRA/SIPC

An affiliate of Pellerin Laundry Machinery Sales Company, Inc. (“PLMSCO”), a full-service distributor of industrial, commercial, and institutional laundry and dry-cleaning equipment, acquired a minority interest in Polymark Laundry, a French distributor of laundry equipment. Chaffe acted as exclusive financial advisor to PLMSCO in this transaction.

We are pleased to announce that Matthew’s Brothers Dredging Inc., was recapitalized by Carr’s Hill Partners on April 9, 2023. Chaffe served as exclusive financial advisor to Matthews Brothers with Frank DeVay and Whit Slocum managing the transaction.

## INDUSTRY SPOTLIGHT: INDUSTRIAL SERVICES



Industrial Services

Market Insights  
 MAY 2023 UPDATE

We are excited to share our latest Industrial Services Report, which underscores the remarkable strength of the industrial sector and the continued interest it is generating among investors.

Our industrial sector index has outperformed the S&P 500 over the past 3 years and continues to maintain strong valuations. Investors seek industrial firms focusing on mission-critical maintenance and recurring revenues. These companies are considered less risky and command higher valuations.

[View the full May 2023 Market Insights](#)

For more tailored details to your specific line of business, please reach out to us.



## LOUISIANA M&A CHAFFE'S MONTHLY CITYBUSINESS REPORT

**MAY 2023** Bidding War Revs Up To Acquire AMEDISYS INC., Tops Recent Multi-Billion-Dollar M&A Activity [[Read more](#)]

**APRIL 2023** Media Group's Acquisition Tops M&A Activity In April [[Read more](#)]

**MARCH 2023** CF Industries Holdings Tops March M&A Activity With \$1.6B Purchase of Waggaman Ammonia Plant [[Read more](#)]

**FEBRUARY 2023** Louisiana-Based Lemoine's Acquisition of Macro Companies Tops Monthly M&A [[Read more](#)]

**JANUARY 2023** BCBSLA Deal Tops M&A News in January [[Read More](#)]

## CATCH CHAFFE SPEAKERS AT UPCOMING CONFERENCES

### JULY 2023

13 BVR Webinar - *ESG Business Valuation through an ESG Lens*

### AUGUST 2023

10 LCPA B&I Conference - *Anatomy of Deal Gone Bad*

15 CFOB Centenary College - *Anatomy of a Deal Gone Bad*

16 CFOB Centenary College - *M&A Update and the Importance of Business Succession*

22 AICPA Webinar - *ESG and Risk Factors that You Need to Consider in Business Valuation*

### SEPTEMBER 2023

7 Louisiana Accounting and Auditing Conference (LAAC) - *Cannabis panel*

8 Louisiana Accounting and Auditing Conference (LAAC) - *M&A Update and Proposed Death of the Noncompete*

15 Tulane Business Forum - *ESG Sustainability panel*

20 BVR Webinar - *Valuing Businesses that Cater to Seniors*

27 LCPA Webinar - *Business Succession: Planning to Fail or Failing to Plan*

## CHAFFE IN THE NEWS



Chaffe & Associates, Inc. was named to the 20th annual “[Best Places to Work](#)” List in the “small company” category by New Orleans CityBusiness.

If you are interested in learning more on a topic via electronic newsletter, please submit your suggestions [info@chaffe-associates.com](mailto:info@chaffe-associates.com).

Chaffe professionals are seasoned speakers on a variety of topics, who have presented in front of large and small audiences at conferences across the United States and on nationally broadcasted webinars for organizations such as the American Society of Appraisers, American Institute of Certified Public Accountants, Association of Corporate Growth, Society of Louisiana Certified Public Accountants, Business Valuation Resources, Vistage, as well as industry conferences.

We are happy to speak at conferences, participate in panel discussions or on webinars for organizations throughout the United States. Please contact [lhamezopoulos@chaffe-associates.com](mailto:lhamezopoulos@chaffe-associates.com) to discuss topics and speaker availability.

*See the Chaffe difference.*

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