

Mark Putnam's IBBA Speech

Prepared by:	Mark Brewer
For:	The MBBI conference, January 25, 2003
Length:	~ 14 minutes, without introduction

Introduction by Mike Atticari

Mark Putnam:

Thank you, Mike.

2003 is the 20th anniversary of the International Business Brokers Association, otherwise known as the IBBA.

If I were to pick one notable aspect of IBBA's evolution over the last 20 years, it would be our success in adapting to the changing needs of business intermediaries.

Today's successful intermediary needs to be organized, needs to know how to work with other professionals, needs to know the needs and desires of business buyers and sellers, needs to be effective in creatively matching needs and resources, and needs to be adaptable to constantly changing market conditions.

So it stands to reason that any association that aspires to support a dynamic and evolving profession such as ours, also needs to be adaptable, responsive, creative and professional.

That's the challenge IBBA has faced, and I'm proud to say we've done a good job.

And I'd like to illustrate for you some of the reasons why this is true.

Let's review a little history to put things into perspective.

In the 1960s, the brokerage client was generally a factory worker who was ready to break out of the mold and become his own boss. Buyer expectations were low. At that time the average price of a small business was \$16,000 and brokers operated out of retail storefronts.

The big thing in the 70s was franchising, which fueled a lot of activity for brokers. Small-business ownership became attractive to recent immigrants, while the blue-collar sector held steady.

But things really changed in the 80s. Corporate downsizing flushed a whole load of white-collar professionals into brokerage offices.

These corporate refugees had higher expectations than the traditional blue-collar crowd. Larger transactions were expected. Records were expected. And corporate buyers liked working with a team of professionals to manage the added complexity of larger deals. So accountants and lawyers became regular players in the brokerage game.

As the buyer evolved, so did the broker. In the 80s, the business broker transformed from a salesman in a retail storefront to a professional businessperson in an office building, possibly with a power tie and BMW in the parking lot.

It is during this transformation that the IBBA was born.

The purpose of the International Business Brokers Association is to support the educational and networking needs of a growing and changing profession. Today's intermediary is ravenous for relevant information on how to be successful. There's a wealth of information for new intermediaries, and IBBA addresses that need. And

there's a need for experienced intermediaries to be informed on what's happening today, so that tomorrow will be prosperous.

The IBBA had humble beginnings in Tom West's kitchen in 1983. Tom was our founder and first executive director. He's now the genius behind the Business Brokerage Press.

At that time, IBBA's primary program was the annual conference. Tom rented a big room someplace and lined up some speakers, and brokers were tapped to design and deliver educational content.

As the profession grew through the 80s and 90s it became clear to Tom that one guy and his wife didn't have the time or energy to command and control an association that supported a growing profession.

And it was clear that IBBA, to be successful, needed a substantial upgrade. We needed to become more organized. We needed to become more proactive in developing and delivering timely and relevant resources. And the association needed professional management — a dedicated team of people to handle day-to-day operations and ongoing member support.

Which leads us to today, and I'd like to review for you how successful IBBA has been in meeting its challenge.

The idea of having an annual conference remains a good one, and today we have two conferences each year. IBBA conferences are centered on two primary service areas: education and networking.

Let's look at how IBBA educational programs have improved recently.

In the last two years we've invested substantial money with leading-edge educational developers to design and standardize a core curriculum specifically for business intermediaries. We call this IBBA University.

Each course is a one-day, eight-hour class. Each course is led by an instructor who is a business broker. This broker/facilitator has already taken the class has been certified by the IBBA to teach the class.

Each class includes a professionally developed textbook, and participants take a test at the end.

If you take enough IBBA University courses, you can take become a Certified Business Intermediary — or CBI. The IBBA created the CBI designation to certify that the holder has the baseline standard of competence required to be a competent intermediary.

Today there are 450 CBIs, and sellers look for the designation when selecting an intermediary.

Last year we introduced the Master Merger and Acquisition Intermediary, or MMAI. The MMAI requires coursework, but you also have to show that you've done at least 2 one-million dollar deals within five years. So, only experienced dealmakers can get this designation. There are already more than 15 MMAIs.

So, that's the IBBA University.

The other aspect of IBBA's educational programming is our workshops. Each IBBA conference includes several workshops on specific, cutting-edge topics that affect professionals today.

Workshop topics result from IBBA's ability to keep its ear to the ground on what's hot. We know what the private equity people are doing, we know what the banks are doing

and we're bringing that information to our members in these timely workshops that are only available to IBBA members.

For example, this MBBI conference is centered on how to deal with turnaround companies and how to sell companies in bankruptcy.

IBBA presented workshops on these topics six months ago, way before it was on anyone's radar.

So, the IBBA has established a track record of staying on top of our dynamic marketplace, and we've become good at educating our members on how to navigate it.

Another valuable feature of IBBA conferences is the opportunity to rub elbows with other experienced and successful intermediaries. We had [how many] attend our last conference, and attendance goes up every year.

And the quality of networking has improved. At our New Orleans conference in November 2001, an IBBA member approached me and said, "Mark, I've been coming to these conferences for four years, and this is the best one yet." When I asked her why, she said, "Because the caliber of business broker that I've been meeting is significantly better than it was three years ago."

We know that networking is valuable for many reasons, not the least of which is that networking at IBBA conferences breeds deals.

While it's important for your professional association to support quality networking opportunities, it's even more important for your association to help make things happen. But IBBA tills a fertile field of opportunity through our Deal Mart Expo.

The Deal Mart Expo the largest assemblage of private equity groups in any one room at any given time in the country.

The Expo is also the largest gathering of intermediaries.

In other words, IBBA brings together the largest group of buyers and the largest group of sellers in one place at one time anywhere. And we do this annually as part of our conference schedule.

That's a thumbnail sketch of how IBBA has developed industry-standard education, certifications and networking. To do this, we've obviously moved out of the kitchen.

IBBA now has an office in a professional office building in the Chicago Loop with a staff of association professionals who provide continuing support for members. So, today's IBBA is a team of association professionals keeping pace with its members' changing needs.

- We've established the IBBA University.
- We have two certification programs, which are the industry standards.
- We have the Deal Mart Expo.
- And we have competent professional management team who is responsive to your needs.

Today, the IBBA has 1250 members, including intermediaries from Europe and Asia. One of our board members is from Spain.

In 2000, IBBA member sales totaled \$11.6 billion, and in 2001 it was \$8.7 billion.

As of June 2002, IBBA members had \$25.8 billion of business on the market, which is larger than the gross domestic product of North Korea, without the nuclear program, and averages out to about \$20 million per member.

If you're not an IBBA member, let me give you a little encouragement. But first, I'd like to share some inside information.

I said earlier that IBBA has its ear to the ground on hot topics. So here's what I think about near-term prospects for intermediaries.

If you're in the middle market arena, I don't have to tell you that business has been lousy. Some experts believe in a middle market resurrection towards the end of this year.

Sellers know that this is not a good time to sell, and they can wait it out. Many middle market businesses are still digesting or throwing up the businesses they absorbed recently.

For M&A, everything hinges on the economy.

Most experts predict that the economy will start to revive towards the end of this year and the beginning of next year.

Bush's economic plan may help, but political fiddling with economic levers usually produces little in the way of short-term relief.

And if the economy does turn around, the threat of war in the Persian Gulf looms as the Grinch that stole the economic recovery. The war, if it happens, will have less impact if it's short. A longer conflict increases uncertainty.

Despite all this, I believe that Main Street brokers can beat the odds. Here's how.

Interest rates have to go up sometime, but it's important to emphasize that rising rates can be a motivator. Sitting around waiting for interest rates to go back down may be like waiting for the next ice age. Most of us remember when 10 percent was low, so interest rates can continue to be our friend as long as we can help manage buyers' perceptions.

Corporate layoffs are still stocking brokerages with qualified buyers. What's changing about layoffs is that corporations are running out of low- and mid-level people to let go. Senior managers and executives are now being relieved of their jobs. These people have money and they're smart. They're educated, motivated and experienced. These are high-quality buyers for Main Street brokers.

And consider this. Buyers are changing, not just in their demographics, but in their personal goals.

There's a definite trend away from the mindless pursuit of cash and assets and towards quality of life.

So if a potential buyer feels they will improve their quality of life through buying a business, numbers can become a secondary factor. So, selling lifestyle will resonate with many potential buyers.

The biggest problem for Main Street brokers probably has less to do with the economy and more to do with how we get new business. Surveys show that at least half of our business comes from referrals.

But referrals can be a trap. It's when we need them most that they become the most unreliable.

Be creative. Use your business sense. And use IBBA's valuable resources to help you keep your listings pipeline full.

If you're a Main Street broker, there's a lot of opportunity right now. The key is getting sellers to sell, and that means getting listings. Make uncertainty your friend.

I'd like to close with a challenge. Ask yourself these questions:

How can I benefit from knowing how to leverage today's market conditions into improving my business today?

How can I benefit from networking with private equity sources and other successful intermediaries?

How can I benefit from earning the CBI or MMAI certifications?

How can I benefit from the knowledge available through the IBBA University?

When answering these questions, remember that:

1. The IBBA is only organization that provides comprehensive educational opportunities geared specifically to business intermediaries.
2. IBBA members are the only people who can earn the CBI or MMAI certifications.
3. The IBBA brings together the largest groups of buyers and sellers at one time anywhere.

Everyone in this room who is not a member of IBBA should join today, so that you can take advantage of the high-quality, cutting-edge workshops, education, networking.

I'll be delighted to give you an application. Just put your credit card number on it and I'll take it back to my office today.

For those of you who are already IBBA members, and for those of you who can't wait to join, want to encourage you to attend our June conference in Orlando.

Orlando is a not-to-be-missed experienced.

- We'll have at least 15 different cutting-edge workshops on relevant topics.
- The country's top intermediaries will be there, so you'll be in good company.
- We'll have the biggest and best Deal Mart Expo yet,
- and the IBBA University will be open for business.

Thank you very much for your time and attention, and please don't hesitate to talk to me afterwards if you have any questions.