A FINANCIAL MASTERMIND

The Great Philanthropist

Text by KEITH GORDON

History is full of great men who not only achieved massive success, but left behind a legacy of innovation and progress that outlive the men themselves. Becoming such an icon in a single field is enough to ensure one's place in the annals of history... think Thomas Edison, Henry Ford or J.P. Morgan.

Now imagine having the intellect, drive and foresight required to be considered a legend in not one but two distinct fields. This is the level of accomplishment, and impact, for which society can thank Michael Milken, the financier and philanthropist who hasn't just thrived in his areas of focus, but has completely reformed them in ways that will continue to advance society long after he's gone.

Milken, now 74, remains one of the most influential financiers in modern history, second only to J.P. Morgan. His financial insights and wisdom played a pivotal role in the success stories of countless companies and businessmen in the last five decades. His Milken Institute Global Conference, often referred to as the "Davos of the West", draws the global elite together to attempt to tackle some of the world's most dire challenges through collaboration and coordination.

Through his philanthropic causes, he has had an undeniable impact on areas such as public health, medical research, education and perhaps most significantly, cancer research and treatments. But these statements, if anything, understate the vast impact that Milken has had on both America and the rest of the world.

Before Michael Milken was a powerhouse on Wall Street, he was a middle-class Jewish kid born in Encino, California in 1946. It was during his years as an undergraduate at University of California, Berkeley, and then while getting his MBA at the Wharton School of the University of Pennsylvania, that his interest and curiosity in financial markets led him to deeply explore the credit and bond markets. What he uncovered would change both Wall Street and Main Street in ways that are still hard to fully comprehend.

In layman's terms, Milken realized that when properly structured, investors could make a greater return in riskier, higher-paying bonds than in the "safer," lower-yielding variety that Wall Street mainly utilized and issued on behalf of corporate clients in the second half of the 20th century. This upended many assumptions about risk in the bond market. The mainstream banks wouldn't issue bonds on behalf of younger or riskier companies, brands or entrepreneurs, cutting off a source of financing necessary for such enterprises to survive, and eventually thrive. Despite this enormous apparent demand for capital, the banks stubbornly refused to consider most of these opportunities, perhaps due to antiquated assumptions or a simple lack of foresight.

To Milken, this was a life-altering opportunity. Contrary to popular belief, Milken did not invent the high-yield bond. In fact, they had existed for some two centuries before he even arrived on the financial stage. But Milken was the man prophetic enough to see the utility of such investment vehicles in the modern economy. Additionally, he saw not just one opportunity to reform the capital markets, but two distinct areas where he could put his ideas into practice.

The first area was encouraging higher-risk entities like startups and emerging organizations to issue high-yield bonds as a way to secure the investments their ventures required without relying on the traditional Wall Street capital markets that had ignored them.

The second opportunity was due to the fact that despite being a centuries-old investment vehicle, high-yield bonds were rarely issued and the market for these bonds was quite small. If Milken wanted to capitalize on this shift towards high-yield bonds, he would also need to be a driving factor in growing these markets, often leading the issuance of bonds on behalf of these up-and-coming companies. Again, just as with the bonds themselves, Milken didn't invent the high-yield marketplace, but he was largely responsible for the growth of the industry into the behemoth it has become today and the wide acceptance of these techniques as valid methods for capitalizing new industries and the economy as a whole. What was a controversial theory back in his academic days in the 1960s, is now widely taught at elite business schools.

While still a student at Wharton, Milken found a home at the traditional investment bank, Drexel Harriman Ripley, later Drexel Lambert, where he was hired to help with the back office problems on Wall Street . After graduating, he was hired full-time as head of fixed-income research working on about a dozen asset classes. In 1977, Bear Stearns underwrote the first new high-yield bonds in decades and it wasn't too long after that Milken and his firm began to issue them to fill the supply gap left by the stubbornly traditional Wall Street banks. Eventually the firm would become a go-to shop for companies wishing to issue their own high-yield bonds, and Milken became an incredible force within capital markets.

Quoted in *The Economist*, investment guru Ken Moelis explained what made Milken both successful and revolutionary. "These days, with firms such as Google and Apple, everyone takes dynamism for granted," he explained. "But Mike Milken started out in the 1970s when capitalism was struggling. In those days, there was very little innovation. Along comes Drexel, a firm with a visionary purpose, and suddenly you could get capital."

If the issuance of high-yield bonds doesn't sound exciting or impactful, consider just a handful of the more than 3,000 companies, brands and individuals that utilized Milken's financing to help start, grow or even save their businesses. It's enough to make your head spin. It started with his research on aerospace companies, which helped Boeing's market leadership through the rest of the century.

"Milken's real contribution was far greater than simply to sell portfolios of bonds," asserts former *Harvard Business Review* editor-in-chief Joel Kurtzman in his 2002 book *How the Markets Really Work*. "His real contribution was to get investors to understand that the stock and bond markets were not really separate markets. Milken created a tremendous pool of liquidity and guided its use with surgical precision. He did it in a way that took an often bloated and ailing American economy and made it lean, mean and resilient. Much of the strength and re-

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silience of the economy today—including its ability to rebound in times of adversity—is due to the way people using Milken's financing vehicles remade ailing companies or put their entrepreneurial zeal to work."

Sometimes he would stimulate an entire industry, such as in home-building, where he played a role in financing entities such as Toll Brothers, M.D.C. Holdings, Oriole Homes and KB Home. Or consider entertainment, where some of the most valuable and powerful brands, including MGM/UA Entertainment Company, Viacom International, AOL Time Warner, News Corp. and others accessed capital thanks to Milken.

Milken provided capital to McCaw Cellular Communications (later AT&T Wireless) back in the early 1980s, helping spark the mobile phone revolution itself. He also invested in Safeway. Even the 14,400 employees of Occidental Petroleum can connect their jobs to the financial support provided by Milken to the energy giant. He invested widely in the cable television industry, enabling its eventual spread into the vast majority of American homes. He even stepped in to assist Chrysler when it needed funding to stay afloat.

This barely scratches the surface of brands and companies for which Milken should be credited with helping. Hilton, 7-Eleven, Mattel, AMC Entertainment Holdings, Barnes & Noble, Cablevision, Calvin Klein, Chiquita Brands International, Duracell, Hasbro, Mellon Bank (now BNY Mellon), TCI and Telemundo represent only a tiny sliver of the entities financed by Milken and his firm. He was not only responsible for enabling the growth of billion-dollar companies, but billionaire entrepreneurs. Titans of business such as billionaires Carl Icahn, John Malone, and the late T. Boone Pickens became immensely prosperous with the backing of Milken, and private equity firms such as Texas Pacific Group (now TPG Capital) and Kohlberg Kravis Roberts & Co. (now KKR & Co.) also can thank Milken for aiding in their success and development.

Decades after it was first created by entrepreneur Ted Turner, CNN has established itself as a major source of news both domestically and globally. Yet, it was far from a guaranteed success story. Turner was able to create the cable news channel (and in doing so, the 24-hour news cycle) largely due to Milken and his ability to capitalize companies such as the one Turner had envisioned. This is just one example of the tremendous impact of Milken's influence, and the inescapable role he had in helping companies and entrepreneurs that still impact our society on a daily basis.

Even the people who worked with Milken during his time at Drexel, owe him some level of credit for their own transformations into the billionaires they are today. There's founder Leon Black and co-founders Josh Harris and Marc Rowan of Apollo Global Management, and Tony Ressler, who then went on to start Ares Management Corporation. Ken Moelis, who founded Moelis & Company, and John Danhakl and Jonathan Sokoloff, managing partners of Leonard Green & Partners, all worked with Milken on their way to billionaire status.

Perhaps nowhere is more indebted to Mike Milken than the state of Nevada and the city of Las Vegas. Milken financed the area's homebuilders, newspapers and casinos, enabling the rapid growth and prosperity in the state. It's estimated that he has helped create some 600,000 jobs with his financing of enormous employers like MGM Mirage (now MGM Resorts International), Mandalay Resort Group, and Harrah's Entertainment. While he has played his role in forging billionaires and billion-dollar companies, it might be in the area of job creation where Milken has had the most enduring impact on the American economy as a whole. It's perhaps no surprise then that Milken was named one of the 75 Most Influential People of the 21st Century by *Esquire* magazine.

It's hard to speak of Las Vegas' growth without mentioning one of the titans of the city, Steve Wynn. Famous for his wealth, his casinos and even his world-renowned art collection, Wynn is the epitome of the Vegas success story. But even a man as driven and successful as Wynn can directly connect his financial prosperity to the faith, and capital, that was placed in him by Michael Milken. Without Milken's support, it's far from assured that Wynn would be the multi-billionaire he is today. He still maintains ownership of Las Vegas legends such as Wynn Las Vegas and the Encore hotel and casino, brick-and-mortar proof of the impact and foresight that Milken can provide.

So while it's clear that Milken was indeed a pioneer, revolutionary and icon in capital markets and the economy, this remains only half the story. The other industry where he has made an almost incomprehensible contribution to society is in his philanthropic works. Starting in the 1970s, during the early stages of his professional career, Milken was an enthusiastic patron of charitable causes. But when both his father and mother-in-law were stricken with cancer during that decade, the purpose of his philanthropy became more focused, eventually becoming one of the most effective and potent philanthropic organizations in the fields of public health and medical research, especially with regards to cancer. He formalized his philanthropic efforts when the Milken Family Foundation was founded back in 1982 and endowed with hundreds of millions of dollars, and to this day the foundation continues to fund a vast array of projects and grants in the education and medical fields, assisting more than 1,000 organizations globally.

Following in the steps of the Milken Family Foundation have been numerous other Milken-created nonprofits, including the Prostate Cancer Foundation. Within the Milken Institute, a public charity/economic think tank, Milken founded FasterCures, which works to remove regulatory and bureaucratic obstacles in the fight against all life-threatening diseases. And under the auspices of the Milken Institute, Mike helped to establish the Melanoma Research Alliance (MRA). His main focus for the past six months has been COVID-19, and many of the treatments we and our loved ones rely on today for diseases like testicular cancer, leukemia, epilepsy, melanoma, prostate cancer and breast cancer can be traced back to support provided by Milken's philanthropy.

These aren't minor contributions by any means. In fighting prostate cancer, "Milken revolutionized the field," claims Charles Myers, M.D., president of the American Institute for Diseases of the Prostate. Legendary journalist Dominick Dunne once wrote in *Vanity Fair* that a doctor told him Milken's support for cancer research "had advanced the study of the disease by 40 years." And a former Director of the National Cancer Institute once said that "few people have done more to advance the fight against serious diseases than Mike Milken."

Beyond the medical field, his philanthropy supports both teachers and students globally. His Milken Scholars program, promotes and supports young people as they acquire the skills necessary to make the difficult transitions from high school to college and from college to graduate school or the world of work, through scholarships, counseling, and volunteer opportunities among other supports. His philanthropy also extends from world-renowned universities to cultural institutions such as the Simon Wiesenthal Center's Museum of Tolerance in Jerusalem. Perhaps just as significantly, Milken has committed himself to The Giving Pledge, the campaign organized by Warren Buffett and Bill and Melinda Gates, which encourages ultra-wealthy individuals to donate a majority of their wealth to philanthropic causes. While it's obvious that he didn't need a pledge to do amazing charitable work, it's another example of his willingness, and eagerness, to use his vast wealth to help others.

"Be the change you wish to see in the world" is a quote that has perhaps become cliché. Yet, in both the financial world and the medical research community, Michael Milken has been a foremost agent of change and the world is a much different, and better place, because of the role Milken has played in advancing both of these critical industries.