

Name: Alert ID: TMML2024033979100 Who Is Michael Milken? Michael Milken is a philanthropist and current chair of a nonprofit think tank called Milken Institute. Milken was an executive at investment bank Drexel Burnham Lambert during the 1980s and used high-yield junk bonds for corporate financing and mergers and acquisitions. Milken amassed an enormous personal fortune and was indicted in 1989 by a federal grand jury and eventually spent nearly two years in prison after pleading guilty to charges of securities fraud. While he is credited with founding the high-yield debt market, he was banned for life from the securities industry. Key Takeaways Michael Milken is a philanthropist and current chair of a nonprofit think tank called Milken Institute. He joined Drexel Burnham Lambert in 1969 and started trading in high-yield bonds which earned him the nickname Junk Bond King in the 1980s. Milken was indicted and spent nearly two years in prison after pleading guilty to charges of securities fraud. Milken was banned for life from the securities industry. Understanding Michael Milken Milken joined Drexel Burnham Lambert in 1969. It was during his time with the firm that he started trading in high-yield bonds which earned him the nickname Junk Bond King in the 1980s. These bonds provide much-needed capital for companies that don't necessarily have ready access to credit. During his time at the firm, he was able to raise a huge amount of money from a sizable base of interested investors. This allowed him to eventually expand his high-yield bond department. At the height of his success, Milken earned between \$200 million and \$550 million a year. On April 24, 1990, Milken plead guilty to five technical counts of violating securities laws. He was sentenced to 10 years in federal prison, but was released after two years for good behavior. He was also fined \$600 million. Since his release, Milken has been remaking his image and is attempting to secure a pardon for the charges he plead guilty to in 1990. Following his release from prison, he worked as a strategic consultant. This was in violation of his probation, and he was subsequently fined \$42 million for these actions. In 1993, Milken was diagnosed with prostate cancer. Since then, he has devoted much of his time and resources to the pursuit of a cure for the disease. After being released from prison, Milken was fined for working as a consultant—a violation of his probation. According to Forbes, Milken's net worth is estimated at \$3.7 billion as of September 2019. He co-founded the nonprofit Milken Family Foundation as well as the Milken Institute, an economic think tank that hosts conferences around health, politics, media, and culture. Special Considerations Early in his career, Milken saw an opportunity to leverage junk bonds, also known as high-yield bonds. He saw a way for investors to see high returns—on a risk-adjusted basis—by buying bonds that were issued by companies with low credit ratings compared with acquiring bonds from AAA-rated companies. At the time, the availability of such bonds was limited and Milken anticipated demand would quickly outpace supply for this investment opportunity. The firm he worked for, Drexel Burnham Lambert, launched an effort to underwrite more junk bonds by convincing such companies to issue them. The companies in question may have been early-stage or otherwise not well-established. Their low credit rating may not necessarily have been a result of poor financial health, but rather from a lack of an extensive track record to base their credit ratings on. Such circumstances are typically seen with new and emerging industries. From the companies' perspective, issuing bonds was a way to potentially access more capital that they might not otherwise have an opportunity to pursue. Milken's efforts at Drexel Burnham are credited with launching this market. As the junk bond market grew, Milken sought to maintain a dominant position over this sector, and some of his efforts led to engaging in business activities that eventually led to his arrest and conviction for securities fraud.