



FROM SERVICE TO START-UPS: EXPANDING CAPITAL FOR VETERAN-LED BUSINESSES

Announcer 01:01

Please welcome the panel, "From Service to Startups: Expanding Capital for Veteran-Led Businesses," moderated by Patrick J. Murphy, executive director, Geopolitical Advisors, Hilco Global.

Patrick J. Murphy 01:20

Good morning, everybody, and welcome to the best panel in the history of the Milken Institute Global Conference. Just ask us.

Blake Hogan 01:27

Why are they laughing? It's true.

Patrick J. Murphy 01:29

That was not a joke.

Blake Hogan 01:30

Factually true.

Patrick J. Murphy 01:32

For the record, just like when I used to teach at West Point, if people walk in late at this 8:30 conference, they have to do pushups. It's great to be with you. I'm Patrick Murphy. I'm the executive director at Hilco Global, and it's an honor to be here with all of you. We have a phenomenal panel today to talk about "From Service to Startups." Let me just set the tone real quick. Half the veterans who came home from World War II started their own small business. Half. They created incredible iconic global brands like Lowe's, Nike, Walmart, Comcast. Our generation of Iraq and Afghanistan veterans—less than 5 percent start their own small business. Access to capital is a real issue, and that's why we have these phenomenal

experts in our field to chat today. Let me go from far away down to here. We're starting with the U.S. Navy there—John Buckridge, a great American, CEO of Spartan Aerospace Group, also with Edgewater Funds, which is a \$1.3 billion fund. US Navy veteran. John, thanks for joining us.

John C. Buckridge 02:41

Thank you.

Patrick J. Murphy 02:42

Then we have Patrick Flood, fellow Army soldier, Green Beret, the CEO of Owners in Honor, where they focus on veterans who become entrepreneurs through ETA—entrepreneurship through acquisition. He earned his MBA from Duke University. Next, we have another Army veteran—America's varsity team—Blake Hall. He's the co-founder and CEO of ID.me. He's a Vanderbilt graduate, also HBS, Iraq War veteran. ID.me has over 161 million users in America. Next, we have "The Chief," JoAnne Bass, the 19th chief master sergeant of the US Air Force. She helped lead 184,000 airmen and families.

Blake Hogan 03:35

600.

Patrick J. Murphy 03:36

600—what did I say? I'm sorry, 684. This is what happens when you don't wear your glasses.

JoAnne Bass 03:40

It's Army. He's Army, so we're good.

Patrick J. Murphy 03:42

And last but not least, Blake Hogan. We have to follow with the JV team, the US Marine Corps, because we all know what Marine stands for: "Muscles are required, intelligence not essential." But Blake Hogan is a great American, CEO of Nashville Door, a senior advisor here at the Milken Institute, and just a great American. So let me start, Blake, with you, real quick. Milken just put out two reports this week. 37 percent of veterans said they have issues with access to capital. Walk us through what those reports showed and what the numbers—

Blake Hogan 04:14

Yeah. Well, first of all, thanks to Jeff and to Rachel and Howard and the entire Milken team to put this platform together. This is an incredible opportunity to connect people so they can go and pursue their version of the American Dream. So, Patrick said after World War II, you had 16 million vets come home. Half of them started businesses. Today, we've got about 1.65 million veteran-owned businesses. They represent nearly a trillion dollars in receipts or sales and about \$180 billion in annual payroll. When veterans go to apply for capital, 60 percent of those receive less than the money they need, compared to about 50 percent of non-veteran peers. A full like 24 percent are just flat-out denied, even though they meet the lending requirements. So, what does that really mean? Last week, I bought three trucks—I bought

two vans and a truck. I called the bank and said, "We're growing this little company. It's an Alpine company. It's private-equity backed. But it is about investing in the community." So I could've gone and leased it from a big group, but instead I bought them from a local dealership. I did that because my local bank gave me \$100,000 to go do that. And that \$100,000 went into the community. We were able to do that because we had a 50-year relationship with them. The Milken Institute solves the one challenge that is facing veterans that are trying to figure out, "How do I pursue what I want to do next, or how do I grow what I want to do next?" And that just purely comes down to access. It's access to really great people, and it's access to financial networks. So these problems are very, very solvable, but they're real. And if we want to see, in my case, small businesses grow, you've got to be able to get the capital you need to do that, and when almost a quarter are not getting it at all, and 60 percent are underfunded, that's the difference between making— We're a small company. We grew by 30 percent last year, and we hired quite a few people. That allows us to go hire people. And it's that simple. That means that Matt and Jen can send their kids to college. That's what this means.

Patrick J. Murphy 06:35

It's about investing in your own community, too. All right, JoAnne Bass—the chief. So again, she led 684,000 airmen and family members. If you don't know, the Air Force used to be the Army Air Corps, so ["JoAnne's"] Jo's like our little sister for us Army veterans. But Jo, to Blake's point—it's about trust. We have lack of trust in institutions right now, all-time low, whether it's Congress, churches, corporations. But the American people do trust their American servicemen and women. We talk about—and I hear you talk about, as an ambassador for the US Chamber of Commerce, et cetera—"you hire for trait, you train for skill." What does that mean to you, and what should it mean for everyone else here?

JoAnne Bass 07:40

Before I do, soso I could just get this out of my system since you already started. One, thanks, Patrick, for putting this on, and it's really great to be up here with my brothers. We get a lot of grief from all the services and the Air Force, but what's pretty amazing is they all send their kiddos to join the US Air Force. So, let's just make that known.

Patrick J. Murphy 08:00

Guilty. Guilty as charged.

JoAnne Bass 08:01

Make that known. One of the things I talk about all the time, Patrick, is 1 percent of our nation, by the way, serves and wears a uniform in the United States military. What I think most Americans don't realize—the other 99 percent—is that nobody develops and builds leaders like the US military. It doesn't matter what branch they're in. It is the strongest leadership pipeline in America. And so when we talk about supporting our veterans—which, by the way, 200,000 veterans transition every single year—you have the opportunity to tap into talent and add to your organizations like nowhere— No other organization in the world—you can name any organization—develops 100 percent of their workforce, but the military does. And so when we talk about the skills that we're going to need in the future, or the skills that your organizations need today, they are the skills that we train to in the military; being able to make decisions under pressure, being able to assess risk, being able to execute, being able to lead through uncertainty. These are all the skills that every single one of our service members gets. So, when we think about their

transition and really optimizing that, this is about strategic advantage, and I share with people all the time that our veterans are America's strategic advantage, and we have to figure out—to Blake's point, to your point—how to access that talent, how to retain that talent, and the capital and all those things will come next.

Patrick J. Murphy 09:26

No doubt. And how to invest in that talent, too. Blake, tell us about your journey. Obviously, you started ID.me—it started as TroopSwap, then went to Troop ID, then ID.me. Again, 161 million users. You've done so much to combat fraud in the state, local, and federal governments, and in the private sector. Walk us through when it was just an idea—when it was a PowerPoint—and the difficulties maybe it was to access capital at the start.

Blake Hall 10:00

Sure. Thanks, Patrick, and before I get into my own journey, too, I want to couch it within broader societal trends that even transcend this panel in terms of veteran access to capital, but inform it. At the end of World War II, the odds that your child would have income above yours and be in the economic quartile above your own was about 40 percent. So, we think about the American Dream as like, "My kids are going to have a better life than I have." Pretty good—about a coin flip. Fast-forward to 2009, when I was in a classroom at Harvard Business School and we were going over this—8 percent. So, you have this economic mobility that is slowing down the United States of America. Why? I think if you look at World War I, World War II, Vietnam, one of the unintended consequences is that you had social networks forming across economic classes. You had rich kids from Manhattan in a basic training platoon with poor kids from Mississippi and sharecroppers, and when those guys needed to start a business, they knew who to call because they had a friend, and that friend understood what the military does in terms of leadership. But right now, there's a big gap. You have the leadership training, you have the skill, you don't have the social network. I was very fortunate to go to Harvard Business School. And I didn't want to go to Harvard. When my colonel, Colonel Huggins—I said, "Sir, I'm not going to stay in the Army anymore," he goes, "You're going to apply to Harvard, or I'm not going to write you a letter of recommendation." And I was like, "Sir, I haven't used a three-syllable word in the last year." Like, "Have you heard my guys?" And he used some colorful language, so I applied. But what I learned along the way, it was one of my classmates who wrote me a check for \$80,000 before I even knew what I was doing. Then he introduced me to David Tisch. The Tisch family in New York, of course, own the Giants and Loews Hotels, and David was the first managing director of Techstars New York. And so, in addition to the capital—just this network that I was exposed to in terms of those relationships, and then David kind of gave me—FM 7-8 is the doctrine that we teach in the infantry about small unit tactics. David introduced me to a similar book written by Steve Blank, Air Force veteran. Started eight companies, IPO'd five of them. It's called "Four Steps to the Epiphany," and it was basically using the scientific method to build a company from a startup to a scaled corporation, and if you could execute on each stage.

Blake Hall 12:33

The point is—and I apply that—obviously, TroopSwap, we're a long way from that. Now we defend the United States of America against foreign state adversaries. I just wrapped up a national security fellowship at Vanderbilt with General Nakasone. We're stopping two to three North Koreans a week from getting hired into companies in critical industries in the remote IT workforce. But the culture of learning and after-

action reviews and just taking it one experiment at a time, keeping the thing that works, working on the things that aren't working, and iterating and experimenting help. But what I'm struck by is not everyone can go to Harvard Business School. And so, we need to find solutions that scale, that drive social networks from our civilian counterparts into the military culture, so that maybe folks can understand the difference between a Silver Star and a Purple Heart. Which I think all too often Americans don't. But more importantly, when you have entrepreneurs that are ready to go, if they can pick up the phone and have somebody who can basically be a router to other folks with capital, that was the thing that changed my life. And I ended up taking \$40 million in capital and turned it into a billion-and-a-half-dollar business. There's a lot more of me out there that maybe had a different path and didn't have a colonel who yelled at them and forced them to apply to Harvard Business School.

Patrick J. Murphy 13:55

Yeah. That's pretty special. And by the way, you pick up your phone, if you file your taxes, they use ID.me. If you go get the veteran discount or the educator discount at Lowe's or Home Depot, use ID.me. So that dual-use type of company. Which is interesting because when you talk about the entrepreneur ecosystem, you don't always have to be these great new ideas. You can also do it entrepreneurship through acquisition or franchising. And Patrick Flood, that's what you focus on at Owners in Honor. Can you walk us through that veteran ecosystem and what you've done with it?

Patrick Flood 14:25

That's right. So, when we started out, we really started out with the thesis that, having been to business school, you could see the ability for people that are raising capital, either for venture or for private equity, and how often that capital is deployed, what the expectation of returns for each of them are, and the risk associated with each. And so, I found it interesting to me that a lot of the education that had been going to veterans was specific to startup. Considering the fact that it's typically a little bit less likely to succeed, most were being encouraged to use some sort of self-funding to be able to do it, so bootstrapping using their TSP account or some other personal financial means, and then the likelihood of them succeeding was generally low. However, you don't want to negate the fact that that's absolutely required to be able to—because those sort of entrepreneurs need to be incubated and surrounded and given great mentors to be able to understand that what they're doing, although it may be a new solution for the consumer, it's something that's been done before. Companies have been created before. People have raised money before. People that look just like you have been able to do it. So, where we approached it is that there's the pending, depending on how you call it, gray wave, silver tsunami, and that's going to be a significant economic factor to the United States, potentially a negative one, where the normal trend to such a large number of companies that are going to be up for sale and the few number of people that can actually buy them is aggregation. Aggregation ends up becoming a strain on the supply. Supply ends up increasing prices. So eventually what ends up happening is that it's passed on to the consumer. So, for us, we believe that veterans are best suited, because they are courageous, curious, and humble, that there have been billions or trillions of dollars that the United States taxpayers paid in our education for leadership specifically, and even the best business schools in the country lurk or thirst over trying to figure out how to crack the nut to do the same thing that the military's done. So, from that it's really connecting the two—is to one, engage veterans.

Patrick Flood 16:39

So as a former battalion commander in recruiting command, over 80 percent of people that join the military have someone who's one degree removed from them who's joining. Well, what's interesting is that most entrepreneurs, it's almost the exact same thing. So, the likelihood that post-World War II, someone came from a small town, or any town really, most of the economy at that point was run by small businesses. There were very few gigantic conglomerates. Now there's more of them. And so, the likelihood that then someone had an uncle, a brother, a cousin, someone who started a business, ran a business, did whatever, was super high. So, their bias to being able to do it was high. So now that number is even small, is super small within the military force because it's all volunteer force, and the likelihood that your parents are an entrepreneur are extremely low, and so how do you close that gap? And in my opinion, I think you utilize the transition organizations that exist, so existing paradigms like this, to be able to then help people understand that there's a pathway to do it. Then really create an institution because most of which that, like Blake was even talking about raising capital, it depends on trust. So, like 80-some odd percent of people buy a business one time in their lifetime and sell it one time in their lifetime. So, if you're putting what is, quite frankly, your most valuable asset, and you're learning everything you can to do it one time, it's very difficult to succeed. And so, by creating a legacy organization that can then foster it, create legacy relationships with banks, with lenders, with brokers, everyone, then you start closing the gap. And what's interesting about the silver tsunami is that there's three million businesses that are going to be turning over. There's not enough human beings in the country that are going to be able to do it, so private equity is going to be part of the solution. But the other part of it, though, is that 10 percent of those are veteran-owned, many of which have veteran set-aside contracts, many of which are valued over \$5 million, which is the limit for the SBA to be able to self-fund. So, most of those are going to need some other type of capital to be able to maintain their certificates, or they get devalued because the certificates that are tied to that revenue mean nothing to someone who can't manage the certificate.

Patrick J. Murphy 18:49

Yeah. And I know Blake talked about it in his opening, but that Milken report, that Great Ownership Transition they just pushed out, it talks about there's 36 million small businesses across the market, and you just mentioned each year three million will transfer. The problem is 40 percent of them don't have a transition plan. Right? In the military, we call it left seat, right seat training, right? And what you do to certify veterans who are transitioning out to get that certification that they can become business owners in a certain field, and—

Patrick Flood 19:18

That's right. So that's exactly accurate for most businesses, but for veteran businesses, it's actually higher. So, it's almost 90 percent don't have a transition plan. And we believe that part of the reason for that being is that a lot of the veteran business owners come into it later in life, don't necessarily go to business school, don't have people in their network that they know how to talk to. And quite frankly, they're great business owners, and so they're great technicians being able to do stuff. My dad was one. Sold a \$4 million business— was a veteran—for \$600,000, and didn't know that there was a different way to do it.

Patrick J. Murphy 19:50

Yeah. He probably said, "Hey, \$600,000 sounds like a lot of money, but"—

Patrick Flood 19:52

Exactly. Yeah.

Patrick J. Murphy 19:53

—"it's worth \$4 million." Right. Yeah. All right, John, last but not least there at the end, and then we're going to have rapid fire here. But obviously, your role as a CEO of a phenomenal aerospace company, but also the fund at Edgewater that you do, a \$1.3 billion fund. Walk us through what you look at, whether they're veterans or non-veterans, before you invest, and why we could be doing better as a generation of veterans.

John C. Buckridge 20:20

Sure. Well, first, I want to thank Milken, and I want to thank the team at Edgewater, who has been a supporter of veterans since its inception. And that's really the key, right? It's not something we can do overnight. It is a habit, right? And that's really the big driver. So, when we look at not only acquisitions and bringing people in, I think that Patrick touched on it, you guys touched on it as well, the first thing we have to start with, like any small community, it's shocking how each of us know each other. You talk about the 1 percent, we go through that, and I think often as the military—I made a call this morning, happened to be on you, Patrick, our boy Brennan, right?

Patrick J. Murphy 21:03

Yeah.

John C. Buckridge 21:03

And I just said, how quickly you can find, if you don't know the guy, you know a guy that knows the guy.

Patrick J. Murphy 21:09

Yeah.

John C. Buckridge 21:10

Right? And I think the investment industry is the same way. So, as we talk about access to capital, I think one of the biggest drivers is not only making sure we're doing everything we can to find the best, brightest, most capable veterans and support them, so I think one is mentorship. How do we do our part, those of us who've been through it, to really help those who are ready to take the next step make that transition? And then you talked a little bit about is that gap between desire and funding. One of the best tools I know is DoD SkillBridge. I think it's drastically underutilized. It's not known as much as it should be. And really, as entrepreneurs and business owners, investors, whatever the case may be, it's access to a talent pool that's exactly what we've talked about.

Patrick J. Murphy 22:00

Right.

John C. Buckridge 22:01

So, I think we need to do a better job demonstrating the access, supporting the tools, making them more visible. And then the last piece—we all know this—and Patrick and Blake and I, when we went to the reception last night, within about three minutes, we're like—had never met before besides a video call, I'm like, "These are my guys." Right? Two seconds. Didn't help that they were close to the bar, but that's a story for another day. [Laughter] Walked right over and said, "Hey, this is what we want." So, the reason I say that is building a culture that embraces veterans within the industry is also very important. Not just the mentorship piece, but the structure. And so you have to build cultures within organizations when you assess that really understand the veteran mindset. They reward not just risk-taking, but thoughtful risk-taking. They reward successful risk-taking. So, we want to make sure we're embracing the characteristics that are going to push us forward. And then the other piece of that is within our networks, and with those of us who do it, not only individual mentors, but the team, let's not reinvent the wheel every time. Let's use that network and create pairings within the organizations and within the greater community as a whole. "Hey, I'm a"—when you talked about your dad's business. Let's find tiers of professionals that are also entrepreneurs and say, "Hey, been there, done that. Don't make this mistake." Right? And that's what we need to do. We need to create a community, a support structure around veterans with veterans, right? There's that great analogy when most people, they see a guy down in the hole, and they walk by, and they throw something down there. "Hey, here's some water. Here's some food." Most typically, veterans jump in the hole, and the guy's like, "What are you doing?" "I've been here before." "I know how to get out." Right?

Patrick J. Murphy 23:56

That's right.

John C. Buckridge 23:57

So, we need to do a better job taking advantage of that and create a tiered structure that not only supports, encourages, and pushes entrepreneurs through the next level. So, I think that's a big driver.

Patrick J. Murphy 24:08

Yeah, and listen, the good news, bad news. Good news is that we're here at the Milken Global Conference, an incredible platform that Mike Milken, Wharton grad—no offense to the Harvard Business School, but I teach at Wharton, and Mike's a graduate. But this platform that they did, I know Blake and I were here three years ago. But how they focused on us, Rachel Reilly and the team at Milken, have really focused like a bulldog on a bone, saying, "We have to solve this access to capital issue." But the bad side of it is that when you look at the sheer numbers, veterans are more likely to start their own small business. That small business is more likely to succeed. The majority of small businesses will not succeed in America, right? So, my frustration, the bad side of it is I don't think we do enough, one, to create a system, because systems will set you free. And two, because we're ingrained that there is no I in team. We don't talk about our successes. We don't talk about how Phil Knight at Nike was an Army veteran, and he started Nike with Bill Bowerman, who earned his Silver Star in World War II in Europe, right? We don't know that Lowe's was started by a veteran after World War II, right? To me, we collectively have to do a better job, but it kind of goes against our DNA. ["JoAnne"] Jo, I saw you shaking your head yes. And you can disagree with me if—

JoAnne Bass 25:25

So, I agree with you—100 percent, and that is the job of all of us, to include media and leaders across our nation to figure out ways to do this. Because I love what you said, John, about the systems, but we need systems that truly understand the value. I sat in a room at the Sherman Conference of a bunch of CHROs, and it blew my mind because the viewpoint almost was, "How do we make sure we do what we're supposed to do and just take care of our veterans, by golly?" Almost as if it was a handout, and that is not what our veterans need. They simply need an on-ramp to the access that they haven't had. But when we really look at it, your veterans, by the way, are not short of leadership, they're not short of discipline, they're not short of understanding how to execute. So, it's our responsibility to share those stories. But I had our Air Force historian pull for me all of the numbers of veterans who've separated or retired from the military and have gone on to just crush it in America and make our economy great, and it was like a 50-page document. And so, we're not doing a good job of sharing that story. We really need to, because again, it's about understanding the strategic advantage, the competitive advantage that our veterans do bring.

Patrick J. Murphy 26:51

Yeah. Hey, Blake, I know your past role, CEO of Bunker Labs. So, when you look at, hey, even helping veterans who want to be entrepreneurs create a business plan, you did that with Bunker Labs at over 30 cities in America. It's now part of Syracuse University Institute for Veterans and Military Families. Walk us through how you had that part of the veteran ecosystem—ventrepreneur ecosystem, and the successes that you saw and the advice that you give for potential veterans out there that want to start their own small business.

Blake Hogan 27:20

Yeah, the idea was pretty straightforward. We wanted to create more Fred Smiths, right? So, Fred Smith, FedEx, he's a Marine. So, the two biggest companies, two of the biggest companies in the state of Tennessee, where I'm from, is Pilot Flying J, the Haslam family, so army veteran, and then FedEx. Pilot started with one gas station and FedEx started with one package. So, Bunker Labs started 2013, '14, Todd Connor, US Navy veteran, grew up in Chicago, went to school in Chicago, started a business in Chicago, and realized that when he picked up the phone, somebody was on the other end. And he said, "There are two problems, right? We don't know anybody, and we don't have any money." Well, guess what? That's pretty solvable. Imagine where you're taking your idea for TroopSwap and parachuting into Milken in 2009 and going, "Hey, this is what I got." The exponential network that exists, the opportunity is not to surround yourself with a bunch of other veterans. The opportunity is to surround yourself with a bunch of non-veterans. And oh, by the way, if I'm an investor, wouldn't you want a two to one odd? Because veterans are nearly twice as likely to succeed. So, Bunker started as this really simple idea of could we just help each other out? And let's do two things. Let's help you, sort of the different phases of your business. So, I got an idea. I want to make my first dollar. I got a dollar—I want to try to start to scale it. Or I'm really growing. And then let's also build the network of leaders in those communities. And that, what started as a small idea, grew to about 100,000 companies over 10 years. And then Syracuse University acquired that. And again, it comes down to—will somebody open the door for you?

Patrick J. Murphy 29:08

Yep. Right.

Blake Hogan 29:09

And that's it. And it's not a—so, Rumi Spice, Kim Jung, she was the largest private employer in Afghanistan. They took saffron, and exported saffron around the world, right? And she was raising money and having this Army intelligence officer, MIT, the list is just phenomenal. And she was going in sort of almost grovelling and saying, "This is this great thing." And she flipped it around, and she said, "Well, wouldn't you like a two to one odd? If you want the best opportunity to invest, I am it." And I will give you the opportunity to have a conversation with me." And when she did that, then she started to raise money and grow this thing and do that. And so, it's a bit incumbent upon us to reframe that, and then the ability to parachute into a place like this and say, "You've got capital you need to deploy. You've got businesses that you need operators for." This is the audience to be able to do that.

Patrick J. Murphy 30:14

Yeah. It's funny, I wrote a column this week in prep for the Milken conference. It was called "Stop Just Thanking Veterans. Invest in Them." Because we all know it can sometimes feel a little trite. Again, I'm grateful, I have an attitude of gratitude, and when I say thank you for your service, you're welcome, whatever. But it is like, but what are you doing to solve this problem of access to capital? Blake, I can't help it. I tell budding entrepreneurs at Wharton about, "Hey, you can have a great idea, but unless you have customers, unless you're solving a pain point, it's just an academic exercise." Blake, could you walk us through, because I think it's phenomenal, as someone who served as a—helped run in the Army and served in Congress and served in the intelligence committee, the threats that are out there. Because when we think about the silver tsunami, I think about my father, my mom. Jack Murphy, Navy veteran, enlisted, 20 years as a Philly cop. My mom was a Catholic nun. Luckily for me, she dumped Jesus for Jack Murphy. Otherwise, I wouldn't be here. But I have to tell my mom, like, "No, Mom, that's not Ellen on Facebook direct messaging you. You don't owe a traffic ticket via text message." Now, how do you see that problem of when we talk about the battalions of folks in North Korea that are taking money? Cybersecurity, it's the third largest economy in the world.

Blake Hall 31:36

Yeah.

Patrick J. Murphy 31:37

How does ID.me solve that? How do you see it?

Blake Hall 31:40

Yeah. Well, I think I'm just struck listening to these comments that the importance of mentorship in my own life to get to the point where we're protecting—we're the login identity verification now for 23 federal agencies, for 50-plus state government agencies, and during the pandemic, we were credited with stopping over \$270 billion in fraud by seven states. I was on NBC News with Lester Holt twice. We were just on *60 Minutes* a few months ago. A Chinese threat actor was using deep fake technology to assume the face of a Pennsylvania resident in order to steal his tax refunds, and we interrogated that video feed, and the face actually changes where we can see the face of the Chinese threat actor, his real face, and then he stays on and starts talking in Mandarin to his handler. We see some pretty crazy stuff. We had one ring where these guys were taking selfies, and our deep fake detection software, it's called Presentation Attack Detection, worked. And I've got former three-letter agency folks and intel folks from the military who work for me, and they're like, "Oh, sir, this is the Type 19 Xingkong camouflage." Got it. The guy's still

wearing his birth control goggles from the People's Liberation Army, as he's committing identity theft to try to steal government benefits fraud. And then that particular organization left their port open. We got inside of it, built a whole packet. We could watch them clock in, clock out, attacking the American government. So, I'm kind of back to my former life in the military. My why at the core is keeping people safe. That's why I joined the military. It's what I love to do. It's why people join ID.me. They want to keep people safe. What I figured out first starting the company was that I just thought it was stupid that you had to show your Social Security number to a stranger to get a free appetizer on Veterans Day. I thought it's a bad trade to show your Social Security number to a stranger to get a fried vegetable for free, a blooming onion at the Outback. Don't do that.

Patrick J. Murphy 33:44

They are pretty good, though.

Blake Hall 33:47

Yeah.

Patrick J. Murphy 33:47

But you're right.

Blake Hall 33:48

Yeah. So, starting with a very simple problem, I said, "How can we make this safe?" Because what the brands cared about is they wanted to give special offers to folks who'd served in the military without suffering from fraud and stolen valor. And I think there's some joke that there's like six million Navy SEALs on dating websites, but only 60,000 in real life, so. That's the problem that we're solving for is the catfishing stuff and everything else. It just turns out, when you keep pulling that thread, as we started to solve those problems and we were able to establish trust that somebody was, in fact, who they were claiming to be, the brands just said, "Hey, it's not just military. It's teachers, it's students, it's first responders." And then gas stations want truck drivers, and Lowe's and Home Depot want home improvement contractors, and furniture stores want interior decorators and designers. And then the government said, "Why are we paying data brokers and making Americans create different logins at every single federal agency when they reprove their identity? Why don't they just do it once and it works like a digital wallet?" So that was the iterative development, and honestly, it was very similar to what I had done as a platoon leader in Iraq. I was given a mission set that we had not trained for. We went from reconnaissance and precision engagement to kill/capture missions using National Security Agency attachments with a 20-minute string, day or night. And we sucked when we first started. We had a success rate in those missions of about 20 percent when theater average was 40. But by the time we left, it was over 90 percent. We had Delta, DEVGRU, SAS 22, Asymmetric Warfare Group showing up. And it was all about creating a culture of learning. And a big part of learning, it's not only fostering that within your team so that you do it together as a group, it's also being self-aware enough to know where you're really good and where you're an idiot. And where you're an idiot, you need people to help you and to give you leverage through that. And so, a big part of life is knowing who to take advice from when. And that's why mentorship from the very beginning up until now, when we—very complicated technology. There's all this stuff around biometrics, and so now the challenge is, well, how do I tell a story in a way that Americans will understand that this is a great use of technology to keep them safe and is nothing along the lines of what

you would see in some Asian countries, right? And so, working with master storytellers on exactly that. But it's just been this amazing journey and—but mission's at the core, and that's what folks who raise their hand and serve have in them, is they want to serve a cause that's bigger than themselves. And paradoxically, that's the best way to make money.

Patrick J. Murphy 36:41

Yeah, I know. Listen, it's funny because I run this, basically a startup within a huge company called Hilco Global, the geo-pol team, and one of my first hires was a guy, Chris Moree, an infantry officer, worked with me in the Pentagon, was the chief of staff for Josh Harris at Apollo, and now he's crushing it, right? And I said to him, "Hey, man, as you work with me in the Pentagon, I am not easy." I start early, and I'm demanding, and he goes, "Sir, I'm in." Right? And I don't worry about when I text him or call him on a weekend. It's like, "Hey, bro, this is part of the gig. This is not a charity, right?" And to John, if I go to your point, because when you look at Edgewater Capital, a \$1.3 billion fund—you hear Blake say, "Hey, veterans are almost two to one more likely to be successful in that small business." What are those type of traits? What do you see and what advice do you give out to those young veterans who want to become entrepreneurs or want to present their business plan or idea to get funding from you and your team?

John C. Buckridge 37:42

Well, I think first and foremost, and it's not a typical military, but don't be afraid. Right? Start. Every marathon run starts with the first step. So, don't think about what you don't know. Don't think about what you are unsure of. Start, and then lean on the community for some help in order to do that, right? And I think the analogy, too, we use all the time in my business, we talk about process and standards. I tell my guys all the time, "You don't get what you expect, you get what you inspect." So, inspect for excellence, inspect for greatness. And that's the driver. So, when we start to look at that, talk about those pairings again, create the avenues of entry to have the conversation. And don't be afraid as a veteran to reach out to other veterans you see online, LinkedIn, whatever. Make connections. Same thing to the earlier point. If you don't know the right guy, you know a guy that does. And we were talking earlier about the guy that served with your brother, right, in the SAS, which you don't even know about. It just takes the conversation. Don't be afraid. If you really feel like you have a great idea, even a good idea, have the conversation, start the conversation, because I would say that as vets, for our brothers and sisters in arms, we're endlessly helpful. You're going to take some ribbing depending on who, when, where, the drive, right? That's price of entry. But I don't think I can remember a single time where I went to someone who either went before me or came after me and said, "Man, I've been thinking about this. You got a couple of minutes for me?" To the man or to the woman, not only on this board, but on previous boards, no one's ever said no. So, I think we need to do a better job making sure we make that time, take that time to support, and use our networks. We've talked a lot about the abstract, how do I get to, where do I go from, right? I think part of it—we've got to look back and look inward and say it starts with each of us. If we make that type of a commitment to support one, two, three entrepreneurs, well, just amongst us—the number gets pretty big pretty quick. So, I think that's really the driver. So, I would say, first of all, no matter what you've got, start. Lean into the veteran network. Find the people that can and will help you. It's a pretty large supply. Don't be afraid to ask up. And then we need to do our part as members in the community to guide appropriately, make time, and make it a priority, because we can't ask everyone here to help us fix this problem unless we're willing to fix it ourselves, and I think we've heard some great stories about those who are. Let's do more.

Patrick J. Murphy 40:32

Yeah. And I always say your network is your net worth, right? And you got to work it, and even on social media—I think social media is a force multiplier, and I tell people, "You just can't put your own stuff out there. You got to look at what other people write and share." I know when Blake was on *60 Minutes*, I shared that on social. I was very proud, I was like, "Hey"—because I invested, my partners and I invested in ID.me, right? And that's part of the relation—it's not a transaction, man. It's a relationship. Hey, how about we talk about that network. Patrick Flood, I know you're a graduate of, obviously, the Bush Institute, and so is Blake. But what did that mean for you? I know for President Bush, I'm a different political party than him, but he asked me to come last—on 9/11, he said, "Can you come on that anniversary of 9/11 because I don't want this to be a partisan thing. Can you come and speak to our teammates, these veterans earning it?" That platform there, what has that meant for you, and what were some of the lessons learned?

Patrick Flood 41:30

Two things. One, I'd like to dovetail on something that Blake said earlier about veterans being able to do well with the money that's given to them, two to one return on investment. But the second part is that we're also the lowest category for defaults on SBA loans. And then sometimes the access to capital with SBA specifically is the lack of understanding within the community, and this goes for everybody who's trying to get an SBA loan, is that different banks are different, they lend different, they have underwriting that's different, and you really need to have someone educate you. But then the other thing that John was talking about is something that you've talked about quite a bit, JoAnne, which is mentorship, so this is something on us for veterans. This is a message to any veteran that's out there. Seek mentors that are not someone that maybe you would normally talk to. Because even when I started everything that I did, I talked to two people that were key and critical. One was Todd Connor. I was like, "What did you do at Bunker Labs, and do you think this is a good idea?"

Patrick J. Murphy 42:27

And he's a Navy veteran to show us we're bipartisan here.

Patrick Flood 42:30

And then the second person was a guy named Chad Faulkner, who runs the sports academy, used to be the Mamba Sports Academy, he appeared in Thousand Oaks. And it was those two people that validated essentially that what I had was a good idea. And so that, to me, I think was critical.

And then the other two components, I think, that are really underpinned by the Bush Institute, which is the veteran leadership program there, was something that I think is an undercurrent of a lot of things that are here. It includes the closeness of that community of the 1 percent, is that we lead on accountability and dignity. And I think that, and I've sat through a couple panels here at the Milken Institute, and it feels, whether or not there's data that supports it, it feels for sure that those two things are eroding in the American landscape. And so, at the Bush Institute, you have people that are intentionally chosen from different sides of the political aisle, and all of us want to be able to help veterans. We all have a different way to be able to do it. But it goes back to something President Bush said years ago, is that President Obama loves America just as much as I do, or I think John McCain actually said it, is that President Obama just loves America just as much as I do, he just loves it differently. And so, to be able to be in that cohort of people that really are constantly driving toward accountability and dignity, I think is important.

Patrick J. Murphy 44:02

Right. It's easier to tear things down than build it up. Jo?

JoAnne Bass 44:05

Can I pull on that just a little bit? Because we often—and in this session—we're talking about mentoring, providing access to our veterans. I might flip it. I actually think that corporate America needs to get some mentorship from our veterans. And I say that because since I've taken the uniform off, the majority of the opportunities that I have, and when I get asked to speak, it is about what Blake was just talking about. We understand this geopolitical environment and this national security environment better than probably most folks. I don't care what industry you're in. I'm talking to the health care industry—I was talking to the Arthritis Foundation. My sister couldn't understand why. Because all of these things connect, and when you're talking to our veterans, we have an opportunity. So, I would say we need to also think about how do we flip it, and most of corporate America actually needs to come get some mentorship from those who've lived it their entire life.

Patrick J. Murphy 45:05

Now, of course, she was the highest-ranking airman in the country. So that's it. But yes. Right. Blake, how about you on—

Blake Hogan 45:13

So, I'm super tactical, right? What do you do Monday, right? Well, you're going to leave, you're on this high at this conference. I met all these incredible people. What am I going to do? So, when I took over this company, which by the way, started by a World War II Navy vet, 50-year-old company, there was one other veteran in it. It was me. And so I said, "All of the roles that we're hired for, if they have anything that's remotely close and they're a veteran, I want to see it." My accountant—as a Marine, I hired an Air Force guy, somebody that could help me count.

JoAnne Bass 45:48

Because you're a smart Marine. *[Laughter]*

Blake Hogan 45:49

Right. And when I was trying to explain it to the PE guys, they're like, "Well, he doesn't have any small business experience." I was like, "His job was to go into bases around the world and reset their financials. Pretty sure he can figure out how to close out the books at the end of the month." So that's one. If you are looking for someone that—and by the way, I wasn't a fit on paper for the job, but a Marine introduced me to the team, and I was able to secure that, right? So, if you are looking for talent, broaden the aperture, and then you're going to get somebody that's really incredible. Here's the other benefit that you're going to have in that community. So those businesses are more likely to invest in their community, volunteers, little league. They're more likely to vote and be civically engaged. I sat in "The Geopolitics of Supply" with Nate Fick, a Marine, and he said, "What's the biggest existential threat to the country?" And everyone around it—China, and its tech, and it's all—and his thing was it's internal, and it's 100 percent solvable. Rise, work with honor is—I just don't buy into the narrative, right? You got goal post hangers on both sides, real loud,

and a system that incentivizes it. 80 percent of the country believes—is 80 percent aligned. And so, the follow-on benefits by investing in this sort of warrior class actually brings this country together.

Patrick J. Murphy 47:18

No doubt.

Blake Hogan 47:19

So, do you want to make money and unite the country? Well, then this is a hell of a good investment to be able to do.

Patrick J. Murphy 47:23

Yeah.

Blake Hogan 47:24

And that's why Milken is such an incredible platform to do that.

Patrick J. Murphy 47:28

Yeah. Oh, and as we said earlier, veterans know how to solve problems. That's at the end of the game and the end of the day. And so, we talk about rise, work hard with honor. It used to be of every five members of Congress, four were veterans. Now it's less than one out of every five. And so, the majority of veterans in our country identify or register as independent voters. They're not either party like I was independent most of my life, right? So, I see your point, but in the business side, too, to John, your earlier point, keep it simple. What does every service member have to do? Shoot, move, and communicate. We're really great at communicating with teammates, et cetera, above, and manage above, manage below, manage across. We're just not great about talking about ourselves, right, and our teammates, and I think that's one of those actions.

John C. Buckridge 48:17

I think to your point—

Patrick J. Murphy 48:18

Yeah.

John C. Buckridge 48:18

—not only is that a great point, there are certain areas within the branches that are a perfect fit for that, right? Patrick said right next to me, "What's the Green Beret mission?" Think of it as a larger scale, overlay that to an acquisition. Paratroop in, identify local resources, build either an attacking or resistance force, go execute the mission. That sounds primitive. How is that any different from what we do in PE? We don't have an entire team. We have one or two. Small team tactics, one-on-one overlay. And I think part of it, to your point is, we have to help do a better job, and we've got to educate the civilian population because one of the biggest crimes I see when we look at hiring veterans, everyone thinks all veterans can do is

logistics. Absolutely right, we can do that. But they're all low to mid-level jobs. So, we need to work on helping to educate the civilian population and work on the equity side to say, "Well, listen, our mission set is a fit."

Patrick J. Murphy 49:24

Yeah.

John C. Buckridge 49:24

"Let's help you understand that. Just give us an opportunity to perform."

Patrick J. Murphy 49:28

Yeah. And Blake, I want to get your thoughts on this, but this is my sense of it. There are over 40,000 veteran nonprofits, veteran service organizations that are nonprofits out there, right? Veterans who want to go and be an entrepreneur too often die or drown in a sea of goodwill because they can't navigate. They don't know about Bunker Lab. They don't know—and that's what I think is great about Milken saying, "Hey, we are going to try and solve this access to capital issues, because one, we understand the veterans community. They're more diverse than America, that they're more likely to succeed if they do start their own small business, and what more you could do." But Blake, what's your advice either to Milken or the audience out there on that ecosystem that could support veterans, and especially veterans entrepreneurs, and potentially access to capital?

Blake Hall 50:14

Yeah. I guess the way my brain works and the way I was trained by some of the mentors who taught me how to start a business that ultimately can be very successful is you need to be really focused on the cohorts that you want to serve. And so, I think one thing that's great about Harvard Business School and Stanford GSB and some of our top business schools is that generally, 10 years after graduation, half the class will be CEOs of a company. Either their own startup that they founded or another company that they've ascended up the ranks and have become the CEO of that. Ry was my classmate at Harvard Business School. Nick Taranto, a Marine, co-founder of Plated. These are just two that came right to my head. And so, they've done a great job. So, if we were to treat that cohort as the first round of the NFL draft, then how do we get the best and brightest who have already been selected by HBS and Stanford GSB and everything else into Milken? Because it was ad hoc and sort of by chance that I ended up on the path that I am because of Kelly Perdew and some other West Point and Annapolis grads who took me under their wing and mentored me, but I think you could make that systemic. And so that would be one pathway, and that's where most of your jobs will come from. The very big companies that can become tech unicorns and everything else and throw off massive jobs, or even what's going on in defense right now, where we're trying to get innovation and procurement around drones and things like that, oh my goodness, there's nobody better positioned to do that than war fighters who have also been trained by some of our best business schools to do that. I think if you take other folks, if you looked at our special operations forces and you look at our most disciplined war-fighting units, the Marine Corps, 82nd Airborne, 101st, things like that, these are folks that maybe don't want to start a tech moonshot but could be amazing operators in a franchise model for a Chick-fil-A and for everything else. And so, I think having very targeted routes for our most disciplined folks, and that's what a unit is—just the aggregation of the

most disciplined, hardworking people in the United States military, those are the folks who could go run a business.

Blake Hall 52:25

And then I think you have a third kind of tier, which is, well, who could be a great manager or individual contributor because of their skills as a tech within different domains? And we have all of them. We have from chemical to signal intelligence to logistics of quartermaster and all that other stuff. And so having a really targeted strategy matters, but I believe, maybe it's the sniper employment officer in me, I believe in starting in a very focused way. I think given the crowd that's here at Milken, and if you took our very best and brightest who've already been selected from these institutions and brought them in here, you would get the most yield and bang for your buck. And nobody takes care of veterans like other veterans. You better believe I look out for the vets that work at ID.me. You better believe that because of what we stand for and our mission set, we attract a lot of veterans who believe in working for a company whose cause is bigger than everybody, including the guy who started it. And that, to me, is the best part of leadership, is that you create momentum and a team that's solving problems in a way that's much bigger than any one person. So, that would be my advice, and I think there could be great dividends from that. And the last thing was my recommendation, which is, I think what's happening in national security right now is just incredible. When you think about Ukraine defeating the Black Sea Fleet without having a navy. Kicked Russia out. Right now, the Strait of Hormuz, honestly, it's less of a strategy problem, it's more that we don't have effective counter-drone capabilities, or we're upside down on the unit economics. We haven't mass-produced enough of the ammunitions in order to protect against submersible drones, mines, and the Shaheeds and everything else that are now moving to the dynamic random-access memory. And so, there's a lot of innovation that needs to happen there because the paradigm of war fighting is shifting. And cyber with Mythos. Mythos is interesting because what it's basically an acknowledgment is that the frontier labs are not going to build in the guardrails that will protect companies. The companies are going to have to build guardrails in to protect themselves. And what that means is that the advantage to the attacker is going to be incredible, and there's going to be haves and have-nots in cyber. And I think you will find Kevin Mandia, Air Force guy, probably the foremost cybersecurity expert in the United States of America. There's a lot of opportunity to bring veteran voices into the national security discussion around cyber and around drones.

Patrick J. Murphy 54:48

Yeah. We're going to keep that.

JoAnne Bass 54:49

And I'm going to jump really quick on the Ukraine piece, because in addition to the weapon systems you were talking about, I spent time talking to the chief of their air force, and he left us with a very powerful thing. This was about six months after the war in Ukraine started. He left the stage and told chiefs of 60 other nations that they will win this war because of the strength of their sergeants. That was a powerful statement right there. And the reason why Ukraine has a strength of their sergeants is because when the annex of Crimea happened, the US partnered with Ukraine. The California Army and Air National Guard spent time growing their leadership development pipeline. The same pipeline that we talk about is our competitive advantage. So, I just have to throw that in there—

Patrick J. Murphy 55:42

Let's go, chief.

JoAnne Bass 55:43

—and get back to, it's all about the access to the talent. If we can figure out access to talent, the capital will come, the economy will grow enormously.

Patrick J. Murphy 55:56

And John, I'm going to let you say it—but what I appreciate is that Milken is saying, "Hey, listen, this isn't a whole of government approach." Like, "Hey, VA, hey, DOD, figure this out." They're saying, "This is a whole nation approach." And our partners, whether it's Lowe's, et cetera, coming together and saying, "We are going to help solve this together." John, I know you had a point.

John C. Buckridge 56:14

Yeah. I think as we go back and forth, I completely agree with the chief's point. And Blake, a little bit of a contrarian approach. I agree with what you're saying in theory about, hey, we got to find the HBS guys and all that. As a non-HBS guy, right? Listen, a little bit of an easy button here, but of course, if you take the 1 percent of those who served and put them at the 1 percent, the top business school, that's great, but that doesn't move the needle in the short term. To Blake's point, that doesn't fix it on Monday. I like Blake's point on this. On Monday, when you've got a stack of resumes on your desk for any position, go through and look for the veteran. Give them a shot. Right? And we joke all about, half of my staff is veterans, and the joke we have inside is we'll supply the caffeine if you supply the energy and leadership. Right?

Patrick J. Murphy 57:06

I love it.

John C. Buckridge 57:06

And to the sergeant comment, look, I'll take a veteran with baseline skills and drop them into any situation, and bet on their success 9 out of 10 times. Yeah, we all love the perfect unicorn, right? And Blake, I don't want to harass you too much on this, but—

Blake Hall 57:24

No, you can go after Harvard all day. I go after Harvard, too.

John C. Buckridge 57:26

You're a bit of a unicorn, dude. So, that's—

Blake Hall 57:28

Yeah.

Patrick J. Murphy 57:28

So that's why we put the Green Beret between these [inaudible].

John C. Buckridge 57:32

We need a little help on that side. All the good-looking guys on this side of the stage, right?

Patrick Flood 57:35

Right.

John C. Buckridge 57:36

But that's what we want. We don't forget about the guys that are going to move the needle.

Patrick J. Murphy 57:40

Yeah.

John C. Buckridge 57:40

Any military background, if it's on a resume for better or for worse, take a shot. It's going to be good.

Patrick J. Murphy 57:47

And I think that's what I appreciate about Rachel Riley. She's like a bulldog on a bone on this stuff, because when I say things like, "Hey, there's 40,000-plus veteran service organizations, right, that are drowning in a sea of goodwill," it's even in the government. I mean, in prepping for that, I was like, all right, listen, these are resources in the federal government that most veterans who want to become entrepreneurs don't even know about. The Treasury Department, the State Small Business Credit Initiative, which I know you do in Tennessee, and with the Tri-City stuff, I appreciate that. The VA, they have obviously the VBOC, the Veteran Business Outreach Centers. They're starting ones there that are tied to colleges, right? The SBA, they have obviously loans. Rhett Jeppson is the deputy secretary there, and I've worked with him when there, but—in the labor, they have 1,500 American Job Centers out there, right? But you don't know where to start. When I left Fort Bragg after my second deployment in '04, I was going back home to Pennsylvania. I didn't have TAP, right? And it's a lot better than it was. TAP is Transition Assistance Program. It's a week-long course, so it's better, but it's still not great. And it's not great, especially for veterans who want to go into entrepreneurship. And that's why I appreciate with what Milken's doing, saying we're going to focus like that. All right—we're going to wrap up. Ten seconds, piece of advice or last closing thoughts. Go down the horn. You start first. Ten seconds.

Blake Hogan 59:04

Yeah. I mean, Milken, keep connecting the dots, and when you get home on Monday, look for that great talent.

JoAnne Bass 59:10

A big thanks to everybody who's here. Please take what you have learned forward to other folks. And if you don't truly maybe have an understanding of the advantage that your military service members bring, find a service member so that we can highlight it. Most folks identify with what they've seen on "Band of Brothers" or something like that. Today's service member is smarter, more talented, more brighter than anybody that we know.

Blake Hall 59:37

My advice would be tap into the talent you already have in your workforce. There's a poll by Gallup that said 50 percent of American workers show up to their job and don't know what's expected of them. You've got great managers and leaders, and your vets in your company will have ideas for how you can fix and address that and effectively manage teams.

Patrick Flood 59:56

I would say that a lot of people that come and see these panels that aren't necessarily familiar with the topics specific to us, whether in the military or in the nonprofit space, reach out to us, because just like Blake was saying, ultimately, we want to be the pathway to be able to help other people, not just us.

John C. Buckridge 01:00:14

I think vets generally are conduits of action. So, if you're going to take a chance, take a chance on a vet and be the change. Invoke the change you're looking for. I'm telling you, you're not going to be disappointed.

Patrick J. Murphy 01:00:28

This was the best panel of all the Milken Conference. Make sure you put that in your remarks. Thanks so much for joining us. Give a round of applause for these great Americans. Thanks for joining us today.

Announcer 01:00:38

We hope you enjoyed the discussion. Be sure to utilize the mobile app to stay up to date on the latest programming changes. As you exit the room, please remember to bring your belongings with you.

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