

May 7, 2018

Subject: whistleblower email about DESCOS loose culture & need for change

Dear David,

Under the circumstances I felt contacting you directly would be prudent, and I hope you appreciate my desire for all of us to move on together amicably. As I write this, I think of myself as a whistleblower. All I have asked is that the firm say publicly what has repeatedly been told to my representatives and to me privately -- that my departure from the firm is not related to sexual misconduct. I have not been and am not seeking a better economic arrangement, nor I am desiring of or seeking reinstatement. I am motivated by what is best for the firm, and, of course, do not want to be dragged through the mud unfairly.

Two of your firm's principles are to take the high road and to conduct rigorous analysis. I truly care about and remain loyal to the firm but believe there are serious cultural issues and management failures originating at the highest levels, with incidents that ought to have catalyzed addressing these problems instead being ignored or swept under the rug repeatedly over the years. These cultural issues are also critical because they form the context and background for the misleading narrative that is being aimed at me.

This firm has your name on it, you deserve to know the truth about what's going on.

Since I was asked to leave the firm without cause in mid-March, I have been constructive, cooperative and patient with the firm in all matters relating to my departure. I have done this in part out of gratitude to DESCOS for the opportunities and mentorship it gave me over the years; but also out of fear arising from intimidation.

The firm's bullying and threats against me over the last week, however, have revealed that the firm is so consumed with creating the appearance of supporting women that it is willing to cast false aspersions on me (and perpetuate false aspersions cast by others) and make me a scapegoat with a proverbial hanging in the town square.

That is not supported by facts your colleagues acknowledge and and now I am forced to set the record straight about your firm and my experience there.

While I was surely an abrasive boss and perhaps deserved to be fired for my style, there is no basis for the whisper campaign about anything sexual. In fact, Max Stone told me that there was no sexual misconduct and your communications person Matt Vogel also told two of my representatives that there was no sexual misconduct. Yet for the purposes of creating a false narrative, the firm is only willing to say that I had not engaged in sexual misconduct, in Matt Vogel's and Max's words, "on background" -- rather than provide an official statement. They

both said that's because of internal politics. What about the truth? A person's reputation is not a positional bargaining tool and should not be held hostage because of the firm's agenda.

I applaud the firm for realizing it has been out of step with recent improvements in requirements for professional conduct, including between men and women. The way to address that -- and, in the long run, serve uphold the firm's reputation -- is not by a sacrificing a loyal culture-carrier but rather through a rigorous assessment led by an independent investigator given you may not be aware of serious issues with DESCOS's culture. There are stark contradictions between the firm's lax behavioral policies in some areas and its newly discovered desire to be compliant with current professional standards.

D. E. Shaw taught me everything I know professionally. I have only ever worked at one firm, yours. I fully embraced the culture, where I learned to emphasize serious work in an environment where it was cool to do it all in an informal way while wearing jeans and a t-shirt.

Consider, for example, the Firm's "policy" on dating: [REDACTED]

As you may know, many employees, including senior management, have availed themselves of this "policy." As everyone knows, an executive committee member had a relationship with his junior trader while they were both employed at the firm (and the fact that they ultimately stayed together doesn't necessarily make it right). My predecessor in the Macro group was in a relationship with his female report for years. There are many, many stories of employees hooking up over the years after the company's lavish, alcohol-filled parties.

Put more simply, your firm's policies dictate that employees are completely free to have sex with each other all they want, and that DESCOS doesn't have an interest in that. But if a man were to lightly hug a few women in greeting or in parting after social events in a completely non-sexual way, that suddenly qualifies as a fireable offense.

Let's move on to the company's "Alcohol- and Drug-Free Workplace Policies" where it says that [REDACTED]. But actually alcohol IS allowed in the workplace, as the policy goes on to specify that [REDACTED]. In London, where a similar restriction on consumption applies, is there no longer beer and champagne available in the office fridge that are from time to time consumed by employees during work hours, in clear violation of the policy?

D. E. Shaw also has highly problematic diversity issues, in my view. There are few female front-office personnel; as a matter of fact, as far as I am aware my group had the most women of all the trading and quant groups by a decent margin (we were at approximately 25%-30%). You can check the statistics to get exact numbers. There is only one female trader MD, who happened to report to me and whose promotion nomination I authored. The non-existence of racial diversity is well know. And, not to get into politics (I respect everyone's right to have their own views and applaud your generous support for Hillary Clinton), but with all the Trump-bashing at the firm do you think a Republican would feel comfortable working there?

A culture is set not just by its official policies but, even more importantly, by the actions and practices of its most senior members. I have mentioned some specific examples and offer just a few more here to illustrate my point:

- My first introduction to the wild side of the DE Shaw culture was early on. At the first bonus night after I joined the firm, following a party where everyone got completely drunk, I was invited by a group that included fairly senior executives to go to a strip club.
- The group I was in at the time had an extremely sloppy group dinner at Sammy's Roumanian, organized by an MD, where everyone got so drunk that a handful of employees forgot articles of clothing at the restaurant.
- On my first bonus night after moving to the Macro group, a group that included an Executive Committee member and another Managing Director -- both male and female employees -- ended up at The Box. We drank and watched women dance topless on stage and perform the debaucherous acts that the place is famous for.
- An MD repeatedly sent text messages with inappropriate sexual images during different meetings.
- On another trip to a strip club (where I was not present), it was reported that one employee received oral sex from another employee.
- The company continues to host themed happy hours with free-flowing alcohol even after similar kinds of events led to at least one incident of inappropriate sexual behavior for which an employee was rightly terminated.
- Senior executives have spoken openly about drug use.
- An MD sent many many emails that had sexualized versions of words such as "possibilititty."

That last example above is a bit silly but relevant if only because when the firm searched my chats, I was told they found me "blurring personal and professional boundaries" (such as being friends with a colleague which is completely normal for the culture) and saying four years ago on a bad day to a female employee with whom I worked closely and was friendly, "May I please have a hug?") I'm confident that a comprehensive search of all chats and emails at the firm over time, not one aimed purely at me, would yield far worse and show that my conduct fully in line with the the culture that was encouraged and expected by the firm.

And here's the thing. I believe the people at D. E. Shaw are really good, highly talented people, and I am still friends with many of them across the firm. I don't want them to get in trouble, and it's really not clear they should -- I believe the Executive Committee is aware of these behaviors and has just chosen to look the other way. And that the firm's policies of encouraging partying and socializing between employees send a confusing signal to people and will inevitably lead to incidents. The COO cannot condemn me for doing a quick, turned-around "tennis change" of a shirt that was inside out in a meeting (admittedly, a weird thing to do at most firms) while in the same breath telling me he used to change in his office as well. As with all of the examples brought to my attention, no one has argued -- nor could they -- that what I was doing was in connection with propositioning anyone or creating a sexualized work atmosphere.

Times have changed, and that's a really good thing. #metoo is not about trying to cover up what was tolerated in the past, but rather about serious introspection and system-wide remedial action. Do you agree the firm should initiate a comprehensive, rigorous investigation into the culture with a reexamination of what the firm stands for?

With that backdrop, let's be transparent about my situation.

I acknowledge many flaws and have made plenty of mistakes managing both men and women with an abrasive and intolerant management style that I've been diligently working with a coach to adjust. As I think back on my 14 years at your firm, I can recall many things I could have done better and many things I'd do differently if could.

I was given serious management responsibility early in my career and although there may have been a "power dynamic" in an org chart sense, we aspire to have a flat structure in my group, and my reports and coworkers have always been close to my age or older. Really, I always thought of them as peers and equals (which I'm told, and I agree, was a mistake). Over the years I believe I made some (I think just a handful, but even that is too many) inappropriate jokes and comments. I sometimes hugged colleagues in parting after social events in a friendly way (that was non-sexual); I now realize that was inappropriate and regret doing anything that made anyone feel uncomfortable considering our professional relationship.

The reality is I am relying mainly on my own memory and desire for transparency because I was never presented with an opportunity to address the concerns that were recently raised for the first time after 14 years of emulating my mentors and senior colleagues. Sadly, I was judged and labelled by an impartial party with a clear incentive to harm me.

There is a stark and mendacious revisionism — with me being repeatedly reprimanded for actions I was widely praised for (and even that specifically earned me a recent raise) just months prior. Let's start with the group camping trip last year, for which I received explicit permission from two EC members as well as from HR after making special accommodations. In fact, I was praised by management for organizing this team-building exercise (with a text saying "awesome idea, awesomely executed"). That's somehow been manipulated into a strange experience where people felt "pressured" to attend. There's an easy way to handle this then: no camping trips.

When HR goes around asking female employees if a guy who is known to be abrasive has ever offended them, you'll for sure get some yeses. I don't exactly want to be known as a jerk, but acknowledge I wasn't always the easiest guy to get along with, whether you are male or female. That should not be twisted into a basis for creating bigger issues that don't represent reality or who I am. Inventing a false "#metoo" narrative about me is insane because everyone knows I didn't go around touching people inappropriately or discriminating against anyone.

Even as Max Stone and Matt Vogel have repeatedly said there was no sexual misconduct, they and others have threatened what would be said about me if I things ever became public. That bullying is not professional and, quite obviously, did not have the desired effect.

I would hope that the management team chooses not to bully me further or otherwise retaliate against me for complaining to you about these problems within the firm. That would be a mistake because doing so would be a failure to appreciate the real lesson here and would be missing an important opportunity. This is not about me. This is about a moment to be serious about addressing D. E. Shaw's systemic cultural issues with a properly conducted, sincere investigation and complete reevaluation of the firm's policies.

David, I was inspired a few months ago at an MD toast hearing you describe how important it was to you that the firm you created always takes the high road. My loyalty is to you and to the firm, and my decision to write you is because it seems that the firm -- and maybe the industry -- needs some of your great moral leadership once again.

Sincerely,

Daniel Michalow