

# A Culture of Fear at the Firm That Manages Bill Gates's Fortune and The Sex Cult Of The Oligarchs

May 26, 2021  
in **News**

For 27 years, Bill Gates has entrusted the management of his [enormous wealth](#) and the endowment of his giant foundation to a single man: Michael Larson.

Mr. Larson has invested the Microsoft co-founder's money in farmland, hotels, stocks, bonds, even a bowling alley. Thanks in part to Mr. Larson and the soaring value of Microsoft's shares, Mr. Gates's fortune has gone from less than \$10 billion to about \$130 billion.

But Mr. Larson, 61, also engaged in a pattern of workplace misconduct at Mr. Gates's money-management firm, Cascade Investment, according to 10 former employees as well as others familiar with the firm.

He openly judged female employees on their attractiveness, showed colleagues nude photos of women on the internet and on several occasions made sexually inappropriate comments. He made a racist remark to a Black employee. He bullied others. When an employee said she was leaving Cascade, Mr. Larson retaliated by trying to hurt the stock price of the company she planned to join. Over the years, at least six people — including four Cascade employees — complained to Mr. Gates about Mr. Larson, according to former employees and others with direct knowledge of the complaints. (Several of them also complained to his wife, Melinda French Gates.) Cascade made payments to at least seven people who witnessed or knew about Mr. Larson's behavior; in exchange, they agreed to never speak about their time at the firm.

Even as Cascade grew to more than 100 employees and to manage more money than most Wall Street hedge funds, the perception that Mr. Larson had Mr. Gates's unflinching support allowed him to maintain a culture of fear inside the company's lakeside offices, the former employees said. Mr. Larson still runs Cascade.

Mr. Gates's reluctance to take decisive action at Cascade adds to an emerging portrait of the billionaire philanthropist that is at odds with his image as a roving global do-gooder and champion of women's empowerment.

As The New York Times has reported, Mr. Gates for years [regularly spent time with Jeffrey Epstein](#), who faced accusations of sex trafficking of girls — a relationship that was among the factors precipitating Ms. French Gates's recent decision to seek a divorce. And on at least a few occasions, [Mr. Gates pursued women](#) who worked for him at Microsoft and the Bill and Melinda Gates Foundation. In 2019, Microsoft's board investigated one of those cases, in which Mr. Gates acknowledged he had an affair with an employee. Mr. Gates stepped down from the board last year.

Mr. Larson and Chris Giglio, his spokesman, denied some but not all instances of Mr. Larson's misconduct.

“During his tenure, Mr. Larson has managed over 380 people, and there have been fewer than five complaints related to him in total,” Mr. Giglio said. He added, “Any complaint was investigated and treated seriously and fully examined, and none merited Mr. Larson's dismissal.”

Mr. Giglio and Bridgitt Arnold, a spokeswoman for Mr. Gates, said that Bill and Melinda Gates Investments, whose name is sometimes used interchangeably with Cascade's, has robust policies to deal with employee complaints about wrongdoing. "B.M.G.I. takes all complaints seriously and seeks to address them effectively to guarantee a safe and respectful workplace," Mr. Giglio said. Ms. Arnold said, "B.M.G.I. does not tolerate inappropriate behavior." She added that "any issue raised over the company's history has been taken seriously and resolved appropriately."

Mr. Larson said, "Calling B.M.G.I. a toxic work environment is unfair to the 160 professionals who make up our team and our culture."

Courtney Wade, a spokeswoman for Ms. French Gates, said, "Melinda unequivocally condemns disrespectful and inappropriate conduct in the workplace. She was unaware of most of these allegations given her lack of ownership of and control over B.M.G.I."

Some former Cascade employees declined to comment because of nondisclosure agreements that prohibit them from discussing their time at the company. Others spoke on the condition of anonymity because they feared retribution.

Years after they left Cascade, a few found talking about Mr. Larson so upsetting that they could hardly speak.

### **A Generic-Sounding Name**

Before Mr. Larson, Mr. Gates's financial consigliere was Andrew L. Evans, a longtime friend who had previously served a six-month prison sentence for bank fraud. (Mr. Gates visited him in jail.) But when Mr. Evans's criminal record was spotlighted in a front-page Wall Street Journal article in 1993, Mr. Gates sought out a new money manager.

The next year, he hired Mr. Larson, who previously was a fund manager at Putnam Investments. In 1995, Cascade was incorporated in Washington State. The generic-sounding name with no reference to Mr. Gates allowed Mr. Larson to run a vast investment operation with a low public profile.

From the start, Cascade, whose sole function was to manage the Gateses' money, was deeply entwined with the wider Gates universe, including Microsoft. The firm is in the same office park in Kirkland, Wash., as Mr. Gates's personal office, Gates Ventures, and across the street from Ms. French Gates's own group, Pivotal Ventures. Over the years, employees have moved among Cascade, the Gates Foundation, Microsoft, the two Gates ventures and K&L Gates, the law firm where Mr. Gates's father had been a named partner. In 2005, when Cascade needed a new human resources executive, the company hired a Microsoft veteran.

Mr. Larson regularly hired people fresh out of college or in the early stages of their careers. Graduates of Claremont McKenna College, his alma mater, were a particular favorite. The college has several scholarships endowed by Mr. Larson.

Some employees saw working at Cascade as a way to make the world a better place. Because Cascade also oversees the Gates Foundation's \$50 billion endowment, helping it do well meant more money for things like fighting malaria and funding education. Others said they were star-struck by the idea of working for Mr. Gates, who founded Microsoft in 1975 with Paul Allen.

Throughout his tenure, Mr. Larson earned steady returns for Mr. Gates. He invested largely in undervalued, old-fashioned stocks, eschewing hot tech companies. When the dot-com bubble burst in the late 1990s, the strategy paid off. Mr. Larson also shielded Mr. Gates's assets from the steepest declines of the recession in 2008 and 2009.

Mr. Larson branched out into real estate and high-end hotels. He bought a 47.5 percent stake in the Four Seasons chain. He acquired vast tracts of land that by some estimates make Mr. Gates the [largest private owner of farmland](#) in the United States. Chasing the highest returns was not the main goal. The mandate, according to one former employee, was: “We don’t want Bill’s name in the headlines.”

### **‘You Live in the Ghetto’**

In the spring of 2004, Stacy Ybarra decided to quit her job at Cascade to join the internet company InfoSpace.

Ms. Ybarra, then 30, had joined Cascade three years earlier as an investor relations analyst. After she announced her planned departure, Mr. Larson became so angry that he shorted the stock of InfoSpace, according to three people familiar with the episode. (Short selling involves placing bearish bets on the company’s shares, which sometimes causes the stock to fall.) Two of the people said they saw Mr. Larson’s trades on their computer terminals.

Mr. Larson told Ms. Ybarra and others that he had shorted InfoSpace’s stock out of spite, according to the three people, who heard about his remarks at the time.

Mr. Giglio confirmed that Cascade shorted the stock but denied that Mr. Larson did it to spite Ms. Ybarra.

At the same time, Mr. Larson repeatedly pressured Ms. Ybarra to remain at Cascade. She ultimately agreed to stay.

On Election Day that November, Mr. Larson asked some Cascade employees in the office about the best time to go vote. Ms. Ybarra, who is Black, replied that she had voted that morning without having to wait in line. Mr. Larson responded: “But you live in the ghetto, and everybody knows that Black people don’t vote.” The scene was described by two people who heard the comment and a third who was told about it later.

Mr. Giglio denied that Mr. Larson made the remark.

At least one employee at Cascade complained to human resources about Mr. Larson’s remark. The complaint made its way to Mr. Gates and Ms. French Gates, who later spoke to Ms. Ybarra as part of an internal investigation, according to people familiar with the matter.

In January 2005, she quit Cascade, received a small payout and agreed to not speak about the firm in the future.

“When these allegations were made more than 15 years ago, B.M.G.I. took them very seriously” and hired an independent lawyer to investigate, Mr. Giglio said. He added that it is standard procedure at Cascade to have employees sign confidentiality agreements when they get severance packages.

### **Potential for Embarrassment**

In November 2006, Mr. Gates and Ms. French Gates were sent another complaint about Mr. Larson. This one was from Robert E. Sydow, a California fund manager who had been close friends with Mr. Larson and whose firm, Grandview Capital Management, Mr. Larson had hired to manage a \$1.6 billion slice of the foundation’s endowment.

Doug Rowan had been hired by Bill Gates to create his CORBIS images company, but things went awry and Rowan departed Corbis. Rowan has stories to tell about Gates.

Mr. Sydow wrote a six-page letter to the Gateses accusing Mr. Larson of abruptly severing Cascade's ties with Grandview after a dispute between him and Mr. Sydow. (The dispute, Mr. Sydow wrote, came after Mr. Sydow warned Mr. Larson that he needed "to stop using his power to hurt others in anger.")

The letter, reviewed by The Times, said Mr. Larson had harmed Grandview's reputation in part by spreading "false and defamatory" lies about it in the market.

Mr. Sydow, the godfather to one of Mr. Larson's children, went on to describe multiple instances of Mr. Larson seeking to punish employees who left Cascade and retaliating against those who cooperated with the investigation into his treatment of Ms. Ybarra, among other things.

Mr. Larson has "the potential to greatly embarrass both you and the foundation," Mr. Sydow wrote. "We exit agreements with third-party investment managers for a variety of reasons," Mr. Larson said in a statement sent by Mr. Giglio.

After Ms. Ybarra's departure, Cascade hired a new head of human resources, Kathy Berman. She had once worked at Microsoft, most recently as the head of executive recruiting.

Around then, there were also efforts to create physical distance between Mr. Larson and some Cascade employees, including moving a number of people onto a different floor from Mr. Larson's office, according to three former employees. Mr. Giglio said employee morale was high.

Cascade employees including Mr. Larson were required to undergo sexual harassment and sensitivity training. Mr. Larson didn't seem to take it seriously, one former employee said. "We don't need this," the former employee recalled Mr. Larson saying. Mr. Giglio denied that.

Mr. Larson's conduct did not improve, former employees said.

In emails, he sometimes castigated colleagues as "stupid" or called their work "garbage," according to several people who saw the emails. (The missives came to be known as "Larson bombs.") At meetings, he would sometimes dismiss employees' presentations with comments like, "That's the dumbest idea I've ever heard."

"Years ago, earlier in my career, I used harsh language that I would not use today," Mr. Larson said in the statement. "I regret this greatly but have done a lot of work to change."

At a work Christmas party in the mid-2000s, Mr. Larson was seated outdoors with a small group of male employees after dinner, according to one of the men. Three female colleagues were standing about 20 feet away. "Which one of them do you wanna" have sex with? Mr. Larson asked the men, using a profane verb.

When a female employee was on a Weight Watchers program, Mr. Larson asked her, "Are you losing weight for me?" according to someone who heard the remark. Another former employee said Mr. Larson would ask male employees whether certain women at Cascade were single.

On at least one occasion in recent years, with employees looking on, Mr. Larson displayed photographs of naked women on his phone and compared them to Ms. Berman, the human resources executive, according to a former employee who witnessed the incident and another person who was told about it. (Ms. Berman left Cascade in 2015.) Another woman who worked at Cascade said Mr. Larson asked her if she would strip for a certain amount of money.

Mr. Larson denied making any of those comments. "This is not true," he said.

## **A Canceled Contract**

About three years ago, Megan Scott, Mr. Larson's chief of staff, complained to the Gateses about Mr. Larson, according to three people with knowledge of the matter.

Among her concerns was that Mr. Larson was preparing to sign a five-year contract with a recruiting firm that a Cascade employee, Pamela Harrington, was starting, two of the people said. (The proposed contract would pay Mrs. Harrington's firm an annual retainer that started at less than \$1.5 million and over time decreased to \$400,000, said Mitchell Langberg, a lawyer for Mrs. Harrington.) Ms. Scott and another employee complained to the Gateses about what they saw as the close personal relationship between Mr. Larson and Mrs. Harrington, the people said.

"This allegation unfairly emanates from a former disgruntled employee who has tried hard to undermine the reputation of Mrs. Harrington, a highly accomplished and successful individual in her own right," Mr. Giglio said.

Mr. Gates told Mr. Larson to cancel the proposed contract with Ms. Harrington's firm, the people said. Mr. Giglio said the decision was part of a broader move "not to outsource many internal functions, including recruiting."

By 2019, that had apparently changed. Mr. Langberg said that B.M.G.I. entered into an executive recruiting contract with Mrs. Harrington's firm that December. "Mrs. Harrington has been providing service under that contract since that time," he said.

Around the time of the complaints involving Ms. Harrington, Mr. Larson was repeatedly propositioning, and being rebuffed by, the manager of a local bicycle store that was mostly owned by a firm, Rally Capital, that Cascade had invested in.

In 2017, the manager hired a lawyer, who sent a letter to Mr. Gates and Ms. French Gates warning them that if Mr. Larson did not stop harassing her, she would sue them. The letter said Mr. Larson had exposed himself to the manager and had told her that he wanted to have sex with her and another woman, according to someone who read the letter.

Mr. Gates agreed to settle the matter by having a payment made to the bike store manager. Ms. French Gates insisted that an outside investigator review the incident and Cascade's culture, people familiar with the matter [previously told The Times](#). In 2018, Mr. Larson went on paid leave while the investigation took place.

At the time, Mr. Gates told a Cascade employee that he doubted that Mr. Larson would ever return, according to a person with knowledge of the conversation.

Jessie L. Harris, a lawyer for a Seattle law firm, Williams Kastner, conducted the investigation. He concluded that the bike shop manager's complaint could not be substantiated.

"You should know that Michael wanted to contest the allegations throughout the investigation," Mr. Giglio said. "But he, obviously, was not the ultimate decision maker."

Mr. Larson returned from leave in 2019. Cascade's chief operating officer had departed during Mr. Larson's absence, and Ms. Scott left shortly after his return. To curb Mr. Larson's influence over

Cascade, Mr. Gates told him to hire a new chief operating officer, a former Cascade employee said. Mr. Giglio said the process included a committee and an outside search firm.

The pick was Mr. Larson's college and business school classmate.