

Black-owned manager sues in New Jersey over racial bias, fraud

 pionline.com/courts/black-owned-manager-sues-new-jersey-over-racial-bias-fraud

James Comtois

June 23, 2020

A Black-owned money manager is suing the New Jersey Department of the Treasury, Trenton; New Jersey Division of Investment; BlackRock Alternative Advisors; and Cliffwater for alleged racial discrimination, retaliation and fraud.

The suit, filed Tuesday by the law firm Wigdor on behalf of Blueprint Capital Advisors in U.S. District Court in Newark, N.J., alleges that New Jersey's DOI, its investment consultant Cliffwater, and various other individuals provided Blueprint's confidential and proprietary information to BlackRock without permission after promising to award Blueprint with a contractual relationship and \$500 million investment.

"Blueprint was exploited for its innovative and advantageous business concept, and its status as a Black-owned firm was used as a justification for this injustice," said Lawrence M. Pearson, a partner at Wigdor, in a news release.

After promising Blueprint with a contractual relationship and \$500 million investment for the exclusive right to adopt Blueprint's FAIR investment program, Blueprint argues that the defendants requested documents and information that went beyond the normal due diligence process, including business plans, profit and loss projections, fee models and spreadsheets, negotiating methods, term sheets and prospective client lists.

Blueprint claims that after it provided this information to the defendants, not only did the defendants not propose Blueprint to the State Investment Council, but they also allegedly gave this information to BlackRock.

Blueprint alleges that a New Jersey official admitted to Blueprint that New Jersey's State Investment Council "is not a fan of doing business with women-owned or minority-owned firms." The official also told Blueprint that, if the firm was going to be approved, its materials had to remove any mention of its Black-owned status.

"Blueprint discovered that BlackRock, the State Defendants and Cliffwater conspired together to steal and/or misappropriate the Company's proprietary information, trade secrets and relationships in an effort to discriminatorily deny Blueprint the benefits of creating the FAIR program and doing business with DOI," the suit claims. "Specifically, employees of BlackRock, Cliffwater, the DOI, and other organizations conspired to access and use Blueprint's confidential information and trade secrets to build a business that would compete directly with Blueprint and wholly supplant it in its opportunity with DOI."

Blueprint seeks a jury trial.

“As our complaint alleges, we suffered overt discrimination,” said Jacob Walthour Jr., Blueprint’s co-founder and CEO, in a phone interview. “We were told that the reason why certain things were happening was because we were a minority-owned firm, and minority-owned firms were not considered palatable.”

Mr. Walthour added: “I’m surprised with what I and my firm has had to face. But New Jersey has a real issue with race,” citing both the state’s income disparity between Blacks and whites and the DOI’s poor track record with hiring women- and minority-owned managers.

“And BlackRock should know better,” he said.

Blueprint manages capital on behalf of the state. In 2017, the DOI committed up to \$300 million to the firm’s BCA CAP I fund.

In response to BlackRock being named in the suit, Mark McCombe, senior managing director and chief client officer, said in an emailed statement: “A review of Blueprint’s allegations by BlackRock and an outside law firm has found nothing inconsistent with our standards nor anything suggesting any wrongdoing by BlackRock. Nor have we found any evidence that BlackRock improperly received any materials or other information regarding Blueprint’s plans or proposal as alleged.”

Mr. McCombe added: “BlackRock participated in a competitive selection process run by the New Jersey State Division of Investment in 2016. BlackRock had no knowledge of what, if any, discussions Blueprint might have had with New Jersey prior to approaching us this year threatening a lawsuit, nearly four years after the New Jersey mandate was awarded to BlackRock.”

A spokeswoman from Cliffwater issued the following statement: "Cliffwater condemns discrimination in any and every form. There is no place for discrimination of any kind in our society. We have investigated the allegations made by Blueprint and have found no evidence whatsoever. Blueprint also has failed to provide any evidence that it has to support these allegations, as is clear from the lack of evidence in their complaint. We will defend this matter vigorously and believe that the claims against Cliffwater have no merit."

Representatives from New Jersey Treasury Department did not immediately respond to requests for comment.