

# Black-owned firm sues after N.J. official allegedly says state is ‘not a fan’ of investing with minority-owned companies

 [nj.com/news/2020/06/black-owned-firm-sues-after-nj-official-allegedly-says-state-is-not-a-fan-of-investing-with-minority-owned-companies.html](https://www.nj.com/news/2020/06/black-owned-firm-sues-after-nj-official-allegedly-says-state-is-not-a-fan-of-investing-with-minority-owned-companies.html)

By Kelly Heyboer | NJ Advance Media for NJ.com

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One of the nation’s few Black-owned investment firms is suing New Jersey after a business proposal was rejected and an official allegedly said the state’s investment council is “not a fan of investing with women and minority-owned firms.”

Blueprint Capital Advisors, based in Newark, filed a federal lawsuit Tuesday against the state and six current and former state officials alleging racial discrimination, retaliation and the theft of confidential business information. The investment firm is also suing Wall Street giant BlackRock, a money management firm that the state ultimately hired, and Cliffwater, a consulting firm that advised the state on the deal.

“Sadly, even today, a Black-owned firm like Blueprint has no voice and to get justice from the powerful Murphy Administration, Wall Street’s biggest firm and one of its more influential institutional consultants. It was necessary to file this complaint in a court of law,” said Jacob Walthour Jr., Blueprint’s co-founder and CEO.

The state Treasury Department “unequivocally denies” the allegations and will fight the lawsuit, a statement said. BlackRock and Cliffwater also released statements denying any wrongdoing.

The dispute began in 2015, under Gov. Chris Christie’s administration, when Blueprint developed a proposal, called FAIR, that detailed a new investment strategy for the state pension fund that the firm said would save New Jersey money on high fees charged by hedge funds.

Blueprint officials said they transferred over 1,000 pages of information about their money management proposal to the state and participated in more than 50 phone calls and meetings with state officials. But their proposal was never recommended to the State Investment Council, the government group that oversees state investments, the lawsuit said.

Instead, state officials and Cliffwater, a New York-based firm advising the state, gave the information on the FAIR program to BlackRock, the lawsuit said. BlackRock, one of the world’s largest money management firms, was ultimately chosen to implement a version of the investment strategy for New Jersey using the same program name -- FAIR, short for Fund Alignment and Incentive Reform.

“The conspirators did not even bother to change the purloined program’s name,” the lawsuit said.

When Blueprint officials questioned why they were not hired, Christopher McDonough, the then-director of the state’s Division of Investment, said the State Investment Council was “not a fan of investing with women and minority-owned firms,” the lawsuit said.

McDonough also said, “If the SIC knew Blueprint was a minority-owned firm, they would not approve” the deal, the lawsuit said.

Blueprint was later hired to manage some of the state’s investments, though the lawsuit said “the terms were punitive and retaliatory” compared to the deals other money managers were offered and the firm made far less than it was originally expecting.

McDonough, who stepped down from his state post in 2018 to work for a consulting firm, did not immediately respond to a request to comment on the lawsuit.

In a statement, the state Department of the Treasury denied it discriminates against minority-owned firms and said it has several programs and initiatives to reach out to minority- and women-owned businesses and fund managers.

“The department maintains that there is no factual basis for Blueprint’s allegations and the claims of racial discrimination, retaliation and misappropriation of proprietary information are without merit,” the statement said. “The division firmly and unequivocally condemns hatred, bigotry and racism in any form and is committed to providing opportunities for minority and women-owned business enterprises to do business with the state.”

BlackRock released a statement saying its own internal review of how it landed the job overseeing the FAIR investment strategy for New Jersey showed the firm did nothing wrong.

“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,” said Mark McCombe, BlackRock’s chief client officer.

Cliffwater also released a statement saying the consulting firm did nothing wrong.

“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,” the company said.

Both BlackRock and Cliffwater also said they condemn racism and discrimination.

“We recognize the systemic challenges facing minority-owned firms in our industry and are committed to promoting positive change,” McCombe said.

Blueprint’s lawsuit comes as nationwide protests over the killing of George Floyd by police in Minneapolis had put a spotlight on racial disparities in several industries, including Wall Street investment firms.

“Sadly, the treatment of Blueprint is indicative of how things really go down when no one is looking,” said Walthour, the company’s co-founder. “There is an entrenched ‘good old boys’ network in Trenton and the DOI that has never worked to the benefit of minorities or women.”

State Sen. Ron Rice, D-Essex, called on the Murphy Administration to launch a formal investigation of Blueprint’s claims of racial discrimination.

“What happened to Blueprint and Mr. Walthour, over the course of the last four years, appears to be a modern-day lynching and is a stain and a black eye on the State of New Jersey,” Rice said.