

July 31, 2020

Ms. Shelley K. Finlayson Program Counsel U.S. Office of Government Ethics 1201 New York Avenue, NW, Suite 500 Washington, DC 20005-3917

Re: FOIA Appeal (OGE FOIA FY20/029)

Dear Ms. Finlayson:

Pursuant to 5 U.S.C. § 552 and Office of Government Ethics ("OGE") regulations, 5 C.F.R. part 2604, Citizens for Responsibility and Ethics in Washington ("CREW") hereby appeals OGE's July 21, 2020 adverse determination concerning CREW's March 2, 2020 FOIA request, OGE FOIA 20/029. As explained below, OGE improperly relied on FOIA Exemptions 4, 5, and 6 to withhold information. Further, OGE failed to conduct an adequate search. Finally, OGE's handling of CREW's request raises an issue about the integrity of OGE's FOIA processes.

On March 2, 2020, CREW sent to OGE by email a FOIA request seeking three categories of records. First, CREW requested copies of all communications and other records that were created or modified from December 1, 2019 through February 28, 2020 that mention, identify, or discuss any interest in Cadre held or divested by either Jared Kushner or Ivanka Trump. CREW clarified that for these purposes any reference to Cadre includes, but is not limited to: Cadre; JCK CADRE, LLC; Quadro Partners, Inc.; or Quadro. CREW further explained that this request includes all records associated with any certificate of divestiture ("CD") for Cadre, though not the CD itself or OGE Form 278e or OGE Form 278-t financial disclosure reports. Second, CREW requested all OGE policies, guidance, and other materials regarding the existence of a "blind divestment process" for assets held by government officials. Third, CREW requested all records regarding the establishment of a qualified trust by Jared Kushner pursuant to the Ethics in Government Act. For your convenience a copy of CREW's request is enclosed as Exhibit A.

In support of its request for a fee waiver CREW explained that according to recent reporting, Mr. Kushner had divested his interest in Cadre based on guidance OGE provided him that he needed to avoid future conflicts of interest by divesting through a highly unusual "blind divestment" process. CREW noted the strong public interest in receiving information about Mr. Kushner's Cadre asset, which has been highly controversial because of its potential to pose a conflict of interest. The public reporting raises questions about compliance with ethics requirements by a current senior administration appointee because it identifies the potential for conflicts of interest as the reason for divestiture.

By email dated March 17, 2020, OGE asked CREW to clarify the meaning of "blind divestment process" in its request. CREW responded on that same date that the term was used by Mr. Kushner's attorney to describe a process he claims he coordinated with OGE and that CREW was using the phrase in the broadest possible sense. For your convenience these emails a well as those referenced below are included as Exhibit C.

On April 22, 2020, having heard nothing further from OGE, CREW requested an update on the status of its FOIA request. Sara Nekou responded on behalf of OGE that she had five requests that were older than CREW's request, but that she had "all the responsive records ready" and would provide a status update once she "start[ed] working on your request." On May 12, Ms. Nekou emailed CREW with the promised status update. Specifically, she stated,

We have to consult with the White House regarding some of the documents that originated at the WH, and should have the documents ready for you within the next three weeks.

The promised production date came and went, however, with no communication whatsoever from OGE.

On July 8, 2020, CREW again requested an update, noting that over one and a half months earlier, OGE had advised CREW it would have the requested documents within three weeks. The following day, Ms. Nekou responded that she had processed all the records and forwarded them to the White House for consultation. She offered no explanation for the discrepancy between this email and her email of May 12. In a follow-up email on July 13, 2020, OGE Associate Counsel Jennifer Matis advised CREW that OGE anticipated wrapping up its consultation with the White House in the next few days, but could not provide an exact date when it would complete processing the request. Ms. Matis also advised CREW in a phone call that contrary to Ms. Nekou's previous written representations, OGE in fact had not sent the documents to the White House for its review until June 30.

On July 21, 2020, OGE provided CREW with a determination on CREW's FOIA request. In response to the first category of requested documents OGE produced 32 pages with redactions made pursuant to FOIA Exemptions 4 (privileged commercial or financial information), 5 (predecisional deliberative material), and 6 (personal privacy). OGE withheld 32 pages in full, which it characterized as "reviewers' notes," pursuant to Exemptions 5 and 6. In response to the second and third categories of requested documents, OGE claimed to have no additional responsive records beyond those posted on its website. A copy of this letter is enclosed as Exhibit B.

CREW hereby appeals the redaction and withholding of information Mr. Kushner and the White House provided OGE regarding Mr. Kushner's request for a CD. CREW challenges both the adequacy of the search OGE conducted and OGE's reliance on FOIA exemptions to withhold responsive information. CREW also challenges the integrity of OGE's FOIA processes.

OGE Failed to Conduct an Adequate Search

OGE was required to perform an adequate search reasonably calculated to uncover all relevant documents.¹ With respect to CREW's requests for policies, guidance, and other materials regarding the existence of a "blind divestment process" for assets held by government officials OGE claimed to have no responsive records. Yet according to Mr. Kushner's attorney, Mr. Kushner previously put in place a blind divestment process with Cadre based on "the guidance of White House counsel and the Office of Government Ethics[.]"² OGE's claim to have no documents reflecting that guidance cannot be reconciled with the public acknowledgment of Mr. Kushner's lawyer.

Based on these missing documents OGE does not appear to have conducted an adequate search. Therefore, we request that OGE conduct a new search designed to uncover all responsive documents.

OGE Improperly Redacted Information Under Exemptions 4, 5, and 6

OGE improperly redacted the vast majority of information on three documents. First, pursuant to Exemptions 4, 5, and 6, OGE redacted the entire contents of a December 20, 2019 memorandum from Jared Kushner to Scott Gast, the Designated White House Ethics Official, regarding Mr. Kushner's request for a CD (p. 2 of the production). Second, OGE redacted all but the last, non-substantive sentence of a December 20, 2019 memorandum to OGE's director from Mr. Gast regarding Mr. Kushner's CD application (pp. 3-5) pursuant to Exemption 5. Third, OGE redacted the entirety of answers Mr. Kushner's legal team provided in response to questions from OGE pursuant to Exemptions 4, 5, and 6 (pp. 15-16).

These documents pertain to Mr. Kushner's request for a CD for his holdings in Cadre, an online real estate investment company he co-founded, with a last reported worth of between \$25 million and \$50 million.³ In complaints filed with OGE CREW has warned for years that Mr. Kushner's Cadre shares present significant conflicts of interest for him and his spouse, Ms. Trump, who both serve as senior advisors to President Trump.⁴ When Mr. Kushner joined the White House in 2017 he declined to divest his interest in Cadre. The documents OGE just produced to CREW reveal that on February 26, 2020, OGE issued a CD to Mr. Kushner for 2,498,496 shares of Quadro Partners Inc. (pp. 29-30), which does business as Cadre.

Mr. Kushner previously requested CDs for at least two other of his financial holdings, which are referenced in documents OGE produced to CREW in response to this FOIA request as CD-2017-02, pertaining to JK IV LLC, and CD-2017-07, with the corrected name JK Thrive IV

² Jennifer Jacobs and Caleb Melby, <u>Jared Kushner Divests From Startup Cadre Over Future Conflict Concerns</u>, *Bloomberg*, Feb. 28, 2020, <u>https://www.bloomberg.com/news/articles/2020-02-28/kushner-divests-from-startup-firm-cadre-over-conflict-concerns</u>.

¹ Valencia-Lucena v. Coast Guard, 180 F.3d 321, 325 (D.C. Cir. 1999).

³ Jacobs and Melby, *Bloomberg*, Feb. 28, 2020.

⁴ Letter from Noah Bookbinder to OGE Director Walter M. Shaub, Jr., July 6, 2017, <u>https://go.aws/2VIsTtm;</u> Letter from Noah Bookbinder to Deputy Attorney General Rod J. Rosenstein, Jan. 4, 2019, <u>https://go.aws/2Xx4KCG</u>.

LLC. *See* pp. 7, 10. Significantly, in response to a previous FOIA request from CREW, OGE released a significant portion of the application for Mr. Kushner's 2017 CD from then-Deputy White House Counsel Stefan Passantino.⁵ In response to an appeal from CREW, OGE released an entirely unredacted version of Mr. Passantino's application for Mr. Kushner's 2017 CD.⁶

Exemption 4

FOIA Exemption 4 exempts "trade secrets and commercial or financial information obtained from a person [that is] privileged or confidential."⁷ To the extent OGE relied on Exemption 4 to redact information regarding the necessity of Mr. Kushner divesting his Cadre assets, OGE erred. OGE was required to analyze the risk of a conflict of interest that this holding posed when considering Mr. Kushner's request for a CD. Certainly the bare assertion that Mr. Kushner needed to work on matters affecting Cadre would not itself implicate Exemption 4; indeed, the Ethics Pledge that the White House has posted on its website contains that very assertion.

Further, it is highly unlikely that the White House's request for a CD went into such a high degree of detail about Mr. Kushner's Cadre holdings that it somehow implicated trade secrets or similar information or conveyed information not already publicly known. Public reporting confirms the worth of this holding during the period February 26 through February 28, 2020.⁸ Cadre's own website explains Mr. Kushner's role in the company,⁹ and the value of his holdings has been reported in Mr. Kushner's various financial disclosure reports.¹⁰

Moreover, OGE has released similar applications for a CD for Mr. Kushner in the past, and their contents highlight how unlikely it is that the CD he requested for Cadre truly contains information protected by Exemption 4. For example, the CD for Mr. Kushner requested on January 25, 2017 was released in full to CREW after an administrative appeal, including information for which OGE had initially asserted Exemption 4.¹¹ OGE also released a February 1, 2017 request from the White House for an amended CD Mr. Kushner together with the initial

⁵ This document and the amended request can be found at

https://extapps2.oge.gov/FOIAStatus/FOIAResponse.nsf/OGE%20FOIA%20Responses_3/852580AC00659E1D85 258121004DC331/\$FILE/Responsive%20Record%20OGE%20FOIA%20FY%2017_293_Redacted.pdf?open_and https://extapps2.oge.gov/FOIAStatus/FOIAResponse.nsf/OGE%20FOIA%20Responses_3/852580AC00659E1D85 258121004ED108/\$FILE/Responsive%20Record%20OGE%20FOIA%20FY%2017_303_Redacted.pdf?open.

 $[\]overline{}^{6}$ The unredacted document can be found at

https://extapps2.oge.gov/FOIAStatus/FOIAResponse.nsf/OGE%20FOIA%20Responses_3/852580AC00659E1D85 258147006606B2/\$FILE/Responsive%20Records%20Revised%20OGE%20FOIA%20FY%2017-350.pdf?open. ⁷ 5 U.S.C. § 552(b)(4).

⁸ Jacobs and Melby, *Bloomberg*, Feb. 28, 2020.

⁹Cadre website, "About" page, <u>https://cadre.com/about</u>.

¹⁰ Jared Kushner, 2019 Annual Financial Disclosure Report, May 15, 2019, Part 6, Line 26, <u>https://bit.ly/35a16lf</u>; Jared Kushner, 2018 Annual Financial Disclosure Report, May 15, 2018, Part 6, Line 213, <u>https://bit.ly/2602RY5</u>. ¹¹ See

https://extapps2.oge.gov/FOIAStatus/FOIAResponse.nsf/OGE%20FOIA%20Responses_3/852580AC00659E1D85 258147006606B2/\$FILE/Responsive%20Records%20Revised%20OGE%20FOIA%20FY%2017-350.pdf?open.

CD application.¹² There is no reason to believe the nature of the withholdings OGE has made on the CD for Cadre differ in any significant way from the information concerning Mr. Kushner and his financial holdings that it released in these documents.

Finally, in the unlikely event that any of the withheld information is properly covered by Exemption 4, OGE had a responsibility to segregate that information and release all information not covered by Exemption 4.¹³ OGE has not met this obligation.

Exemption 5

OGE's blanket reliance on Exemption 5 to withhold some unidentified portion of Mr. Kushner's memo to Mr. Gast , all of Mr. Gast's memo to the OGE Director, and some unidentified portion of answers from Mr. Kushner's legal team to OGE's questions also contravenes its obligations under the FOIA. As the previously released CDs pertaining to other holdings of Mr. Kushner make clear, the requests themselves are factual, not deliberative. Nor would the release of the purely factual information in the two withheld memoranda reveal anything about the OGE's deliberations that properly is subject to Exemption 5, a conclusion further supported by the previously released memoranda concerning other requests for CDs for Mr. Kushner. As for the answers to questions OGE posed (pp. 15-16), there appears to be no effort to segregate and release purely factual information.

Further, even if the withheld information was predecisional at the time it was submitted to OGE—which we submit it was not—it lost that character once the agency granted the requested CD. As the D.C. Circuit has explained, even if a "document is predecisional at the time it is prepared, it can lose that status if it is adopted, formally or informally, as the agency position on an issue or is used by the agency in its dealings with the public."¹⁴ "To adopt a deliberative document . . . the agency must make an 'express[]' choice to use [the] document as a source of agency guidance."¹⁵

Here, OGE adopted the White House's view that divestiture was reasonably necessary when it included the following declaration in the CD it issued him: "I hereby determine that the divestiture of the described property is reasonably necessary to comply with 18 U.S.C. § 208, or other applicable Federal conflict of interest statutes, regulations, rules, or executive orders."¹⁶ Because OGE adopted as its official position the White House's view that divestiture was reasonably necessary, records containing information articulating or supporting that view lost

¹³ *Roth v. U.S. Dep't of Justice*, 642 F.3d 1161, 1167 (D.C. Cir. 2011) ("[E]ven if [the] agency establishes an exemption, it must nonetheless disclose all reasonably segregable, nonexempt portions of the requested record(s)." (quoting *Assassination Archives & Research Ctr. v. CIA*, 334 F.3d 55, 57 (D.C. Cir. 2003))).

¹² That document can be found at

https://extapps2.oge.gov/FOIAStatus/FOIAResponse.nsf/OGE%20FOIA%20Responses_3/852580AC00659E1D85 25810000593525/\$FILE/Additional%20Records%20Released%20FY17-241.pdf?open.

¹⁴ Coastal States Gas Corp. v. Dep't of Energy, 617 F.2d 854, 866 (D.C. Cir. 1980).

¹⁵ Judicial Watch, Inc. v. United States Dep't of Defense, 847 F.3d 735, 739 (2017).

¹⁶ See p. 29.

their predecisional status upon OGE's issuance of the CD. Therefore, OGE must release this requested information.

This conclusion is also compelled by the contents of a December 20, 2019 email sent from Mr. Gast to Mr. Kushner, the body of which OGE released in full (p. 21). Mr. Gast stated as follows:

Attached please find a memorandum from you requesting a CD (2019.12.20 CD Request-Kushner). Please confirm that the information contained in this memo is correct and that, by your email, you are submitting this memo to request a CD for the sale of your Cadre holdings. Also attached is a cover memo that will be sent to OGE, confirming that we have determined that divestiture of your Cadre holdings is reasonably necessary to allow you to perform your official duties. Finally, attached is a memo memorializing the directive to you to divest of your Cadre holdings to avoid a conflict of interest.

In response, Mr. Kushner wrote "Confirmed." *Id.* Having produced this document in full, OGE cannot credibly claim any of this same information is exempt to the extent it is contained in the two withheld memoranda.

OGE also cannot meet its burden of showing foreseeable harm to the agency's deliberative process from the disclosure of the information withheld under Exemption 5. To qualify as "deliberative" for Exemption 5 purposes, a document must reflect the "give-and-take of the consultative process."¹⁷ Moreover, to assert the deliberative process exemption, "the agency must make the additional showing that disclosure would cause injury to the decisionmaking process."¹⁸ The agency "must show by specific and detailed proof that disclosure would defeat, rather than further, the purposes of the FOIA."¹⁹ OGE cannot meet this burden.

The "key question" is "whether disclosure of the information would discourage candid discussion within the agency."²⁰ In this case, the entirety of the withheld information in the two memoranda and the responses from Mr. Kushner's legal team were submitted by an individual outside of the agency to support the CD applicant's view that divestiture of Cadre stock was reasonably necessary. As such, the information reflects absolutely nothing about the agency's consultative process. Moreover, OGE already has made public its conclusion that divestiture was reasonably necessary through the release to CREW of the CD itself. Accordingly, releasing any factual information that supports this prevailing view would not deter candid deliberation among

¹⁷ *Coastal States*, 617 F.2d at 866.

¹⁸ Nat'l Sec. Archive v. CIA, 859 F. Supp. 2d 65, 70 (D.D.C. 2012) (citing Army Times Publ'g Co. v. Dep't of the Air Force, 998 F.2d 1067, 1071 (D.C. Cir. 1993)), aff'd, 752 F.3d 460 (D.C. Cir. 2014).

¹⁹ Mead Data Cent., Inc. v. U.S. Dep't of Air Force, 566 F.2d 242, 258 (D.C. Cir. 1977) (citing Brockway v. Dep't of the Air Force, 518 F.2d 1184, 1194 (8th Cir. 1975)).

²⁰ Elec. Frontier Found. v. U.S. Dep't of Justice, 826 F. Supp. 2d 157, 166 (D.D.C. 2011) (internal quotations marks omitted) (quoting Access Reports v. Dep't of Justice, 926 F.2d 1192, 1195 (D.C.Cir.1991) and Dudman Commc'ns Corp. v. Dep't of Air Force, 815 F.2d 1565, 1567–68 (D.C. Cir. 1987)).

OGE employees because this view is already publicly known. Such release also would not expose the "give-and-take of the consultative process" because the withheld documents were presented prior to the commencement of that process.

Far from protecting the decisionmaking process for OGE's CD program, OGE's withholding of the requested information harms that process by depriving the public of any means to monitor the government's compliance with applicable law. At issue is the question of whether Mr. Kushner needed to participate in particular matters directly and predictably affecting the financial interests of Cadre.²¹ The law authorizes OGE to issue a CD only when divestiture is reasonably necessary to avoid a conflict of interest, yet OGE has chosen to conceal information the public needs to ascertain whether divestiture was reasonably necessary.²² The public interest in this information and corresponding harm to the public by withholding is enhanced by OGE's subsequent withdrawal on June 26, 2020, of the CD it issued to Mr. Kushner related to his interest in Cadre.²³

Exemption 6

OGE also erred by redacting information under Exemption 6, which protects information about a person contained in "personnel and medical files and similar files, . . . the disclosure of which would constitute a clearly unwarranted invasion of personal privacy."²⁴ OGE's finding regarding the necessity of divestiture necessarily would have been based on an evaluation of the duties the White House expected Mr. Kushner to perform in his "official capacity."²⁵ Nothing about those duties as a public servant could possibly fall within the protection of Exemption 6 as none of the withheld information would reveal any personal information about Mr. Kushner.²⁶

Nor would any financial information about Mr. Kushner's Cadre holdings fall within Exemption 6 given what already has been disclosed about those holdings. Further, any privacy interest—which CREW asserts would be negligible at best—is clearly outweighed by the public's interest in disclosure.²⁷ OGE's CD program confers tax benefits on government officials

²⁴ 5 U.S.C. § 552(b)(6).

²¹ 18 U.S.C. § 208(a).

²² 26 U.S.C. § 1043.

²³ Office of Government Ethics, Certificate of Divestiture No. OGE-2020-023, Feb. 26, 2020, *available at* https://bit.ly/2BSqiRG. A note on both pages of the certificate of divestiture states that "[o]n June 26, 2020, this CD was withdrawn at the request of the eligible person." *Id.*

²⁵ 18 U.S.C. § 208(a).

²⁶ See New Orleans Workers' Ctr. for Racial Justice v. United States Immigration & Customs Enf't, 373 F. Supp. 3d 16, 58 (D.D.C. 2019) ("The balancing analysis for FOIA Exemption 6 requires that [the Court] first determine whether disclosure of the files 'would compromise a substantial, as opposed to de minimis, privacy interest,' because '[i]f no significant privacy interest is implicated ... FOIA demands disclosure."" (citation omitted)); *Providence Journal Co. v. Dep't of Army*, 981 F.2d 552, 568 (1st Cir.1992) ("[A] federal government employee investigated for criminal misfeasance relating to the performance of official duties generally possesses a diminished privacy interest.").

²⁷ *Ripskis v. Dep't of Housing and Urban Development,* 746 F.2d 1, 3 (D.C. Cir. 1984) (balancing test); *New England Apple Council v. Donovan,* 725 F.2d 139, 144 (1st Cir. 1984) ("The public has a significant, enduring interest in remaining informed about actions taken by public officials in the course of their official duties.")

by allowing them to defer capital gains on the sale of assets.²⁸ OGE's own regulations make clear that the public has an interest in knowing whether OGE is responsibly issuing CDs only to offset the burden of complying with conflict of interest laws and not to unfairly enrich government officials.²⁹

Further, this public interest is at an apex when the subject of the CD request is senior White House official with a very public-facing role, whose government tenure has been marked by controversy over his continued ownership interest in Cadre notwithstanding the evident conflicts of interest that holding poses. Moreover, the withheld information is identical in kind to that OGE already has released with respect to other CD applications concerning Mr. Kushner's financial holdings, further negating any reliance on Exemption 6.

OGE Waived Exemption Claims for Information It Released

Page 21 of OGE's production consists of an email from Mr. Gast to Mr. Kushner and Mr. Kushner's response concerning the requested CD for the Cadre holdings. Included within the text of the email are two substantive points: (1) that Mr. Gast and Mr. Kushner had determined that divestiture of Cadre "is reasonably necessary to allow you [Kushner] to perform your official duties," and (2) that Mr. Kushner had been directed to divest of his Cadre holdings "to avoid a conflict of interest." To the extent this information is contained in any of the other responsive documents, with this disclosure OGE has waived any exemption claims.³⁰

OGE's Handling of CREW's Request Raises Questions About the Integrity of its FOIA Processes

Finally, OGE's handling of CREW's request raises serious questions about the integrity of its FOIA processes. CREW filed the request at issue on March 2, 2020. On April 22, OGE advised CREW that there were five requests ahead of it for processing but that all of the responsive records were ready, suggesting OGE's search was complete. On May 12, OGE advised CREW that all that remained was consultation with the White House, and that OGE would have documents ready for CREW within three weeks. That representation was false; CREW did not receive a determination on its request until July 21, over two months later. Even more troubling, contrary to the written representations OGE made to CREW in May, OGE subsequently claimed in a telephone call with CREW that in fact it did not send documents to the White House for consultation until the end of June. Notably, on June 26, days before OGE forwarded the documents at issue here to the White House for its input, OGE—at Mr. Kushner's request—withdrew the CD it had granted him for his Cadre holdings.

This timeline and OGE's unfulfilled promises about when CREW would receive documents suggest the possibility that OGE purposefully delayed making a decision on CREW's request, perhaps in the mistaken belief that once the CD was withdrawn less information would

²⁸ 26 U.S.C. § 1043.

²⁹ 5 C.F.R. §§ 2634.1001(b), 2634.1007.

³⁰ See., e.g., Cottone v. Reno, 193 F.3d 550, 554 (D.C. Cir. 1999).

be subject to disclosure under the FOIA. At a minimum, OGE's handling of CREW's request raises serious questions that warrant a further and complete review.

For all of the forgoing reasons, CREW respectfully requests that you reverse the July 21, 2019 adverse determination by OGE and release in full the December 20, 2019 memo from Mr. Kushner to Mr. Gast, the December 20, 2019 memo from Mr. Gast to OGE's Director, and all other documents and portions of documents that contain this information as well as the information on the email sent from Mr. Gast to Mr. Kushner and his response, found on p. 21 of the produced documents.

Sincerely,

Anne L. Weismann Chief FOIA Counsel

Encls.