DEMAND FOR CORRECTION

Mr. Gene Lieb, Publisher:

In your recent article titled *"In low-key council campaign, 'accusations' seem off-base,"* and penned by Mike Dunbar, you singled out the *Los Banos Enterprise* by name and dismissed our reporting as little more than "hints" and suggestions. That is a direct attack on the credibility of our work, and it is false. Our reporting was based on recorded deeds of trust, vetted by legal and investigative experts before publication. By contrast, your article attempted to excuse Ms. Sanchez's undisclosed obligations by citing "legal websites" to argue they were merely "breach of contract" and not loans. That is not only inaccurate, it misled your readers and distorted the seriousness of the issue.

Issue #1 - Loans versus Breach of Contract: A breach of contract is a cause of action — a legal claim that arises when one party fails to perform. A loan, by contrast, is a financial transaction in which money is advanced to a borrower with an obligation to repay, often secured by collateral. See *Restatement (Second) of Contracts* § 233; Cal. Civ. Code § 1912 ("A loan is a contract by which one delivers a sum of money to another, and the latter agrees to return at a future time a sum equivalent to that which he borrowed"). The instruments executed by Ms. Sanchez and her husband are deeds of trust. Under California law, a deed of trust is a secured lending instrument. See Cal. Civ. Code §§ 2920–2924. It evidences a loan obligation, creates a lien on real property, and gives the creditor the power of sale in the event of default. These are not mere breaches of contract; they are secured loans enforceable by foreclosure.

Issue #2 - Unpaid Rent versus Indebtedness: Your article further attempted to frame these obligations as nothing more than "unpaid rent," suggesting that because no cash was directly advanced to Ms. Sanchez, they are not loans. That is a false distinction. California law does not limit disclosure obligations to situations where money is physically advanced. What matters is whether there is an enforceable indebtedness — a legally binding obligation to pay money. Gov. Code § 82004 defines a "creditor" broadly as any person to whom a debt is owed. Gov. Code § 87207(b)(2) requires disclosure of "any outstanding loan" and "any creditor to whom $500 or more is owed."

Under the Political Reform Act, the claim that this is "not a loan" is contradicted by both statute and FPPC authority. Government Code § 82030 expressly defines income to include "any salary, wage, advance, loan, and forgiveness or repayment of indebtedness," and further makes clear that "outstanding loans" are treated as income. The FPPC's own Form 700 instructions reinforce this, stating that "gross income…includes loans other than loans from a commercial lending institution" and that "loans from a private lender that total $500 or more and are secured by real property may be reportable." Once the landlord restructured the unpaid rent into specific dollar obligations secured by deeds of trust, the arrangement was transformed from a simple breach of lease into a secured loan obligation.

The FPPC has consistently interpreted these situations as loans: for example, Advice Letter 82A112 states that a "loan secured by real property is reportable as an interest in real property," and in *Woods* (Advice Letter 95-047), the Commission reiterated that enforceable credit obligations, including lines of credit, are "loans" for disclosure purposes. Thus, by statute, by the Commission's own published instructions, and by its advice letters, the money owed to the landlord under the deeds of trust is a loan that must be disclosed.

Issue #3 - The Public Record: The Los Banos Enterprise's reporting was based on public records from the Merced County Recorder's Office, not on "legal websites." Those records show that Ms. Sanchez and her husband executed two deeds of trust in favor of Sacramento developer Ethan Conrad: one for $19,189 dated July 18, 2023, due March 31, 2027, and a second for $36,000 dated September 13, 2024, due March 31, 2030. These are enforceable secured loans, and they are subject to disclosure under the Political Reform Act. Ms. Sanchez did not disclose them on her Form 700. That is not speculation. It is a matter of record.

Expert Opinions: Prior to reporting these facts, the Enterprise consulted with multiple qualified experts to ensure accuracy and fairness. Our private counsel confirmed that these obligations are loans subject to disclosure. A Trustee of the U.S. Bankruptcy Court for the Eastern District of California emphasized that these deeds of trust cannot be viewed as regular business transactions. He stated that he had never seen a commercial arrangement structured in this way and noted that their unusual character could even create complications in a bankruptcy proceeding. We deliberately withheld that detail from publication at the time in order to avoid interfering with Ms. Sanchez's arrangement with Mr. Conrad, but the fact that a federal bankruptcy trustee flagged the obligations as extraordinary underscores their seriousness. Additionally, a retired police detective from the Riverside County Political Corruption Bureau, with decades of experience evaluating financial disclosure violations, likewise confirmed that the omissions raise significant compliance concerns. These consultations occurred before our reporting was published, because we adhere to the principle that investigative journalism must be grounded in fact and supported by expert authority. By contrast, your article relied only on "legal websites," a substitute for real expertise that trivializes the issue.

Issue #3 - Defamatory Publication: Your article also quoted Ms. Sanchez as saying: "With all the lies and a private investigator writing about me … I don't feel safe." Accusing a journalist of "lies" is not protected opinion; it is an assertion of fact. The Supreme Court has held that false statements of fact are not protected by the First Amendment. *Milkovich v. Lorain Journal Co.*, 497 U.S. 1 (1990). California law recognizes that accusing someone of dishonesty in their profession constitutes defamation per se. *Ringler Assocs. Inc. v. Maryland Cas. Co.*, 80 Cal. App. 4th 1165, 1181 (2000). As a candidate for public office, Ms. Sanchez is a public figure, and the applicable standard is that set forth in *New York Times v. Sullivan*, 376 U.S. 254 (1964). If she knew, or recklessly disregarded, that the Enterprise's reporting was based on recorded deeds of trust, then her statement satisfies the actual malice requirement. By publishing that remark

without context or clarification, the Westside *Express* amplified a defamatory statement and exposed itself to potential liability.

Issue #4 - Other Misstatements: Your article misled readers in other ways as well. It suggested that Ms. Sanchez decided to open a new, smaller business location "while she was anxious to set the record straight," implying this decision was in reaction to the Enterprise's reporting. In fact, she rented that space before our article was ever published. That misrepresents both her timeline and ours.

Required Correction: Your readers deserve accurate information, not speculation from "legal websites." I therefore demand that the *Westside Express* issue a correction making clear that Ms. Sanchez has two undisclosed loans secured by deeds of trust, that such obligations are reportable under California law, and that the Enterprise's reporting relied on recorded public documents and expert analysis conducted prior to publication, not on casual internet sources, hints or speculation.

This is not a matter of differing editorial styles. It is a matter of accuracy, integrity, and the law.

The people of Los Banos deserve the truth.

Respectfully,

Michael W. Braa, Sr.
CEO, Los Banos Enterprise, LLC