29. On May 6, 2011, Kimball sent a letter to S2 informing it that the Partnership could not meet its payment demands. Kimball provided a list of vendors still owed money from the Partnership; and he offered to purchase the Partnership's loan for $12,000,000, but did not disclose the source of funds for the purchase.

30. S2 made a counteroffer, which would have required the Partnership to execute a binding consent foreclosure agreement or a deed in lieu of foreclosure by May 31, 2011. The agreement would have given the Partnership six months to repurchase the hotel property and assets for approximately $15,000,000. Kimball decided the offer was not in the Partnership's best interest.

31. On or about May 26, 2011, Kimball received the notice of trustee's sale from S2, which was scheduled for August 18, 2011.

32. On information and belief, prior to July 8, 2011, Clark used $340,000 in personal funds to pay Partnership vendors, and in so doing, held himself out as being personally liable for the Partnership's debts.

33. S2 acquired the property's assets for $10,000,000 at the August 18, 2011 Trustee's sale.

34. Plaintiff lost all of its investment and loan equity in the Project upon the Trustee's sale.

**FIRST CAUSE OF ACTION**

**(For Damages, Resulting From Breach of Contract)**

35. Plaintiff incorporates all preceding paragraphs herein, and bases its claims on the preceding paragraphs.

36. Defendants and Plaintiff entered into a contract in the form of the Promissory Note.

37. Plaintiff agreed to and did disburse $1,100,000 to the Partnership as a loan. Defendants agreed to pay interest only from February 1, 2008 to December 21, 2010 at a rate of 12 percent. Defendants also agreed to pay the entirety of the principal and interest due on or before December 21, 2010. Note (Exhibit A).