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203 North LaSalle Street
Suite 1800
Chicago, Illinois 60601
Attn: Kathy H. Wilson

When Recorded Mail to:

Name: First American Title
Insurance Company
Attn: Kathryn Czech

Mailing Address:

30 North LaSalle St.
Suite 310
Chicago, Illinois 60601

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MEMORANDUM OF RIGHT OF FIRST REFUSAL

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ALAN SPRIGGS, SUMMIT CO RECORDER
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REQUEST: FIRST AMERICAN TITLE CO UTAH



MEMORANDUM OF RIGHT OF FIRST REFUSAL

THIS MEMORANDUM OF RIGHT OF FIRST REFUSAL ("MEMORANDUM"), dated as of February 1, 2000 by and among Marriott International, Inc. ("Marriott"), Sunstone Hotel Properties, Inc., a Colorado corporation ("Licensee"), and Kahler E&P Partners L.P.I., a Delaware limited partnership ("Owner").

RECITALS

A. Marriott and Licensee have entered into a License Agreement dated February 1, 2000, as amended (the "License Agreement"), relating to that certain real property located at 1895 Sidewinder Drive, City of Park City, County of Summit, State of Utah, more fully described on Exhibit 1 attached hereto (the "Real Property").

B. In connection with and in furtherance of the License Agreement, Marriott, Licensee, and Owner have entered into an Owner Agreement dated February 1, 2000 (the "Owner Agreement") with respect to the Real Property.

C. Owner is the fee owner of the Real Property.

D. Marriott, Licensee and Owner are executing and delivering this Memorandum in accordance with Section 17.5 of the Agreement and Section 4 of the Owner Agreement for the purpose of submitting it to be recorded among the Land Records of Summit County, Park City, Utah (the "Local Jurisdiction").

AGREEMENT

NOW THEREFORE, for the good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto state as follows with respect to the Agreement:

1. **Grant of Right of First Refusal.** Pursuant to Article 17 of the Agreement and Section 4 of the Owner Agreement, Owner and Licensee have granted Marriott the rights of first refusal to purchase the Real Property located in the Local Jurisdiction (the "Right of First Refusal"), and more particularly described on Exhibit 1, attached hereto and made a part hereof, together with the improvements thereto (the "Premises"), upon the terms and conditions contained in Sections 17.4, Section 17.5 and Section 17.6 of the Agreement and Section 4 of the Owner Agreement.

2. **Interest in Real Estate and Injunctive Relief.** Licensee acknowledges that Marriott's rights under Section 17.4 of the License Agreement and Section 4 of the Owner Agreement are real estate rights in the Premises. Licensee acknowledges and agrees that damages are not an adequate remedy in the event that Licensee breaches its obligations under Section 17.4 of the License Agreement or in the event that Owner breaches its obligations under Section 4 of the Owner Agreement, and that Marriott shall in either case be entitled to injunctive relief to prevent or remedy such breach.

3. **Term.** The Right of First Refusal shall terminate upon the later to occur of the termination of the License Agreement or the termination of the Owner Agreement, provided that in the event of an early termination of either Agreement, the Right of First Refusal shall survive



such early termination in accordance with the provisions of Section 17.6 of the License Agreement and Section 4 of the Owner Agreement.

4. **Subordination.** Marriott's rights in real estate under Section 17.4 of the License Agreement and Section 4 of the Owner Agreement shall be subordinate to the interests of bona fide lenders who are not Competitors or Affiliates of Competitors (as those terms are defined in the Agreement) and who duly record a security interest in the Premises, provided that any such financing and security interests are approved by Marriott in accordance with Section 5.2 of the License Agreement.

5. **Addresses.** Marriott's address, as set forth in the License Agreement, is 10400 Fernwood Road, Bethesda, MD 20817, Attn: Law Department. Licensee's and Owner's address, as set forth in the License Agreement and Owner Agreement, is Sunstone Hotel Properties, Inc., 903 Calle Amanecer, Suite 100, San Clemente, California 92673.

IN WITNESS WHEREOF, the parties hereto have caused this Memorandum to be executed by their duly authorized representatives this 17th day of July, 2003.

MARRIOTT:

ATTEST:

Michael Perry
Assistant Secretary

MARRIOTT INTERNATIONAL, INC.

By: [Signature] (SEAL)
Vice President

LICENSEE:

ATTEST:

Jordan Walker
(Assistant) Secretary
Jordan Norburn

SUNSTONE HOTEL PROPERTIES, INC.

By: [Signature] (SEAL)
Robert A. Alter
President

OWNER:

KAHLER E&P PARTNERS L.P. I.

ATTEST:

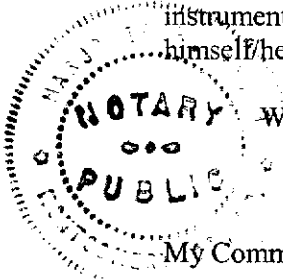
Jordan Walker
(Assistant) Secretary
Jordan Norburn

By: Sunstone E&P Corporation I,
its General Partner
By: [Signature] (SEAL)
Robert A. Alter
President



STATE OF MARYLAND
CITY/COUNTY OF MONTGOMERY

I HEREBY CERTIFY that on July 17, 2003, before me, a Notary Public of the State and City/County aforesaid, personally appeared James C. Fisher, who acknowledged himself/herself to be the Sr. Vice President, ~~Money and Merchandise Services~~ Marriott International, Inc. (the "Corporation"), and that he/she, as such officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the Corporation by himself/herself as such officer.



WITNESS my hand and Notarial Seal.

Marjorie Peart

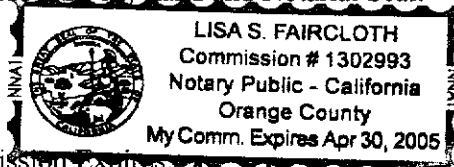
MARJORIE E. PEART Notary Public
NOTARY PUBLIC STATE OF MARYLAND
My Commission Expires February 1, 2006

My Commission Expires:

STATE OF CALIFORNIA
CITY/COUNTY OF ORANGE

I HEREBY CERTIFY that on July 15, 2003 before me, a Notary Public of the State and City/County aforesaid, personally appeared Robert A. Alter, who acknowledged himself to be the President of Sunstone Hotel Properties, Inc., a Colorado corporation (the "Licensee"), and that he, as such officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the Licensee by himself as such officer.

WITNESS my hand and Notarial Seal.



Lisa S. Faircloth

Notary Public

My Commission Expires:

Apr 30, 2005

STATE OF CALIFORNIA
CITY/COUNTY OF ORANGE

I HEREBY CERTIFY that on July 15, 2003 before me, a Notary Public of the State and City/County aforesaid, personally appeared Robert A. Alter, who acknowledged himself to be the President of Sunstone E&P Corporation I, General Partner of Kahler E&P Partners, L.P.I., a Delaware limited partnership (the "Owner"), and that he, as such officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the Owner by himself as such officer.

WITNESS my hand and Notarial Seal.

Lisa S. Faircloth

Notary Public

My Commission Expires:

Apr 30, 2005



EXHIBIT 1 TO MEMORANDUM OF RIGHT OF FIRST REFUSAL

1895 Sidewinder Drive, Park City, Summit County, Utah.

Lots 10-A, 10-B, 10-C, 10-D, 11, 12-B and 12-C, Amended Plat of Prospector Square, according to the official plat thereof recorded December 28, 1974, as Entry No. 1254433, records of Summit County, Utah.

Excepting and reserving all oil, gas, and other mineral of every kind and description underlying the surface of the subject property.

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