

Cruse Kenneth Edward
Form 3
January 05, 2007

FORM 3 UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

OMB APPROVAL

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INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section
30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *

Â Cruse Kenneth Edward

(Last) (First) (Middle)

903 CALLE
AMANECER,Â SUITE 100

(Street)

SAN
CLEMENTE,Â CAÂ 92673

(City) (State) (Zip)

2. Date of Event Requiring Statement

(Month/Day/Year)

01/02/2007

3. Issuer Name **and** Ticker or Trading Symbol
Sunstone Hotel Investors, Inc. [SHO]

4. Relationship of Reporting Person(s) to Issuer

5. If Amendment, Date Original Filed(Month/Day/Year)

(Check all applicable)

___ Director ___ 10% Owner

X Officer ___ Other

(give title below) (specify below)

SVP - Chief Financial Officer

6. Individual or Joint/Group

Filing(Check Applicable Line)

X Form filed by One Reporting Person

___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Beneficially Owned

1. Title of Security
(Instr. 4)

2. Amount of Securities Beneficially Owned
(Instr. 4)

3. Ownership Form:
Direct (D)
or Indirect (I)
(Instr. 5)

4. Nature of Indirect Beneficial Ownership
(Instr. 5)

Common Stock

14,288 ⁽¹⁾

D Â

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

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Table II - Derivative Securities Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security
(Instr. 4)

2. Date Exercisable and Expiration Date
(Month/Day/Year)

3. Title and Amount of Securities Underlying Derivative Security
(Instr. 4)

Title

4. Conversion or Exercise Price of Derivative Security

5. Ownership Form of Derivative Security:
Direct (D)

6. Nature of Indirect Beneficial Ownership
(Instr. 5)

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	Date Exercisable	Expiration Date		Amount or Number of Shares		or Indirect (I) (Instr. 5)	
Restricted Stock Units	Â (2)	Â (2)	Common Stock	16,061	\$ 0	D	Â

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Cruse Kenneth Edward 903 CALLE AMANECER SUITE 100 SAN CLEMENTE,Â CAÂ 92673	Â	Â	Â SVP - Chief Financial Officer	Â

Signatures

Kenneth E.
Cruse
01/05/2007
 **Signature of
Reporting Person
Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).
 - ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
 - (1) 8,684 of these shares are subject to the satisfaction of vesting conditions over a three-year period, with the first vesting occurring on February 8, 2007.
 - (2) Mr. Cruse holds an aggregate of 16,061 restricted stock units, subject to the satisfaction of vesting conditions over a three-year period, with the first vesting occurring on October 26, 2007. Upon vesting, the Issuer will deliver one share of common stock for each vested restricted stock unit. Mr. Cruse has only the rights of an unsecured creditor in the restricted stock units, and no rights as a stockholder of the Issuer, until the restricted stock units vest.
- Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.
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