

Sunstone Hotel Investors, Inc.
Form 4
October 26, 2004

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box
if no longer
subject to
Section 16.
Form 4 or
Form 5
obligations
may continue.
See Instruction
1(b).

**STATEMENT OF CHANGES IN 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

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(Print or Type Responses)

1. Name and Address of Reporting Person *
Sunstone Hotel Investors, L.L.C.

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

5. Relationship of Reporting Person(s) to
Issuer

(Check all applicable)

(Last) (First) (Middle)
13155 NOEL ROAD, SUITE 700
(Street)

3. Date of Earliest Transaction
(Month/Day/Year)
10/26/2004

____ Director ____X____ 10% Owner
____ Officer (give title below) ____ Other (specify below)

DALLAS, TX 75240

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

6. Individual or Joint/Group Filing(Check
Applicable Line)
____ Form filed by One Reporting Person
____X____ Form filed by More than One Reporting
Person

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
Common Stock	10/26/2004		J	9,990,832	A \$ 17 (1) 9,990,932 (2)	I	See footnote. (3)
Common Stock	10/26/2004		J	103,684	D \$ 17 (4) 9,887,248	I	See footnote. (3)

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

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information contained in this form are not
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SEC 1474
(9-02)

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

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Underlying (Instr. 3 a)		
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title
Sunstone Hotel Partnership, LLC Units (Right to acquire)	(5)	10/26/2004		J		19,112,556		(5)	(5)	Sunstone Hotel Investors Inc. Common Stock
Sunstone Hotel Partnership, LLC Units (Right to acquire)	(5)	10/26/2004		S		12,247,984		(5)	(5)	Sunstone Hotel Investors Inc. Common Stock

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Sunstone Hotel Investors, L.L.C. 13155 NOEL ROAD SUITE 700 DALLAS, TX 75240		X		
WB Hotel Investors, LLC 13155 NOEL ROAD SUITE 700 DALLAS, TX 75240		X		
Westbrook Real Estate Fund III, L.P. 13155 NOEL ROAD SUITE 700 DALLAS, TX 75240		X		
Westbrook Real Estate Co-Investment Partnership III, L.P. 13155 NOEL ROAD SUITE 700 DALLAS, TX 75240		X		
Westbrook SHP L.L.C. 13155 NOEL ROAD SUITE 700		X		

DALLAS, TX 75240

Westbrook Sunstone Investors, L.L.C.

13155 NOEL ROAD

SUITE 700

X

DALLAS, TX 75240

Westbrook Real Estate Partners Management III, L.L.C.

13155 NOEL ROAD

SUITE 700

X

DALLAS, TX 75240

Westbrook Real Estate Fund IV, L.P.

13155 NOEL ROAD

SUITE 700

X

DALLAS, TX 75240

Westbrook Real Estate Co-Investment Partnership IV, L.P.

13155 NOEL ROAD

SUITE 700

X

DALLAS, TX 75240

Westbrook Real Estate Partners Management IV, L.L.C.

13155 NOEL ROAD

SUITE 700

X

DALLAS, TX 75240

Signatures

See signatures attached as

Exhibit 99.1

10/26/2004

__Signature of Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(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) The shares of Common Stock were received in exchange for interests in certain property-owning entities as described under the caption "Formation and Structuring Transactions" in Sunstone Hotel Investors, Inc.'s final prospectus dated October 22, 2004.
- (2) Consists of 4,516,702 shares of Common Stock directly owned by Sunstone Hotel Investors, L.L.C., 889,469 shares of Common Stock directly owned by WB Hotel Investors, LLC and 4,584,761 shares of Common Stock directly owned by Sunstone/WB Hotel Investors IV, LLC.
- (3) See Exhibit 99.1.
- (4) The shares of Common Stock were granted to former employees of Sunstone Hotel Investors, Inc. and will vest ratably over five years as described under the caption "Certain Relationships and Related Transactions" in the Prospectus.
- (5) Holders of Units are entitled to present them for redemption for a cash amount equal to the then-fair market value of an equal number of shares of Sunstone Hotel Investors, Inc. or, in Sunstone Hotel Investors, Inc.'s sole discretion, an equal number of shares of Common Stock. Units are immediately eligible to be presented for redemption or become eligible at various times through October 22, 2005.
- (6) The Units were received in exchange for interests in certain property-owning entities as described under the caption "Formation and Structuring Transactions" in Sunstone Hotel Investors, Inc.'s final prospectus dated October 22, 2004.
- (7) Consists of 8,636,329 Units directly owned by Sunstone Hotel Investors, L.L.C., 1,709,764 Units directly owned by WB Hotel Investors, LLC, 7,831,659 Units directly owned by Sunstone/WB Hotel Investors IV, LLC and 934,804 Units directly owned by Sunstone/WB Manhattan Beach.

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- (8) Consists of 3,100,975 Units directly owned by Sunstone Hotel Investors, L.L.C., 615,896 Units directly owned by WB Hotel Investors, LLC, 2,606,302 Units directly owned by Sunstone/WB Hotel Investors IV, LLC and 541,399 Units directly owned by Sunstone/WB Manhattan Beach.

Remarks:

This Form 4 is being filed by the entities listed on Exhibit 99.1 to this Form 4 (the "Reporting Persons"). The Reporting Person

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.