

Cruse Kenneth Edward  
 Form 4  
 February 21, 2012

**FORM 4** UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549

OMB APPROVAL

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**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

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
 Cruse Kenneth Edward

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)  
 120 VANTIS, SUITE 350  
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)  
 02/16/2012

Director  10% Owner  
 Officer (give title below)  Other (specify below)  
 President & CEO

ALISO VIEJO, CA 92656

(City) (State) (Zip)

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

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

**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 Ownership (Instr. 4)
				(A) or (D)	Amount		
Common Stock	02/16/2012		A		67,742	A	(1) 623,409 D
Common Stock	02/17/2012		F		6,918	D	(2) 616,491 D
Common Stock	02/18/2012		F		5,342	D	(3) 611,149 D
Common Stock							5,215 I Family Trust

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

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(9-02)

**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 Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Beneficially Owned (Instr. 5)
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Cruse Kenneth Edward 120 VANTIS SUITE 350 ALISO VIEJO, CA 92656	X		President & CEO	

## Signatures

/s/ Kenneth E. Cruse 02/21/2012

\*\*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) On February 16, 2012, Sunstone Hotel Investors, Inc. (the "Company") granted 67,742 restricted shares of common stock to the Reporting Person pursuant to its 2004 Long-Term Incentive Plan. Such shares are subject to the satisfaction of vesting requirements over a three-year period.
  - (2) On February 17, 2012, 18,861 restricted shares of common stock (awarded to the Reporting Person on February 17, 2011) vested, and 6,918 shares of common stock were withheld to satisfy tax withholding obligations. The closing price on February 17, 2012 of common stock of Sunstone Hotel Investors, Inc. on the New York Stock Exchange was \$9.38 per share.
  - (3) On February 18, 2012, 14,565 restricted shares of common stock (awarded to the Reporting Person on February 18, 2010) vested, and 5,342 shares of common stock were withheld to satisfy tax withholding obligations. The closing price on February 17, 2012 (as February

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18, 2012 fell on a weekend) of common stock of Sunstone Hotel Investors, Inc. on the New York Stock Exchange was \$9.38 per share.

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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