

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 *		2. Date of Event Requiring Statement	3. Issuer Name and Ticker or Trading Symbol	
Cruse Kenneth Edward		(Month/Day/Year)	Sunstone Hotel Investors, Inc. [SHO]	
(Last)	(First)	(Middle)	01/02/2007	
903 CALLE AMANECER, SUITE 100		4. Relationship of Reporting Person(s) to Issuer		5. If Amendment, Date Original Filed(Month/Day/Year)
(Street)		(Check all applicable)		
SAN CLEMENTE, CA 92673		<input type="checkbox"/> Director <input type="checkbox"/> 10% Owner <input checked="" type="checkbox"/> Officer <input type="checkbox"/> Other (give title below)    (specify below) SVP - Chief Financial Officer		6. Individual or Joint/Group Filing(Check Applicable Line) <input checked="" type="checkbox"/> Form filed by One Reporting Person <input type="checkbox"/> Form filed by More than One Reporting Person
(City)	(State)	(Zip)		

**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 <sup>(1)</sup>	D	

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, CA 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. 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.