

Kline Jon D
Form 4
October 27, 2006

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

OMB APPROVAL

OMB
Number: 3235-0287
Expires: January 31,
2005
Estimated average
burden hours per
response... 0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
Kline Jon D

(Last) (First) (Middle)

903 CALLE AMANECER, SUITE
100

(Street)

SAN CLEMENTE, CA 92011

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading
Symbol

Sunstone Hotel Investors, Inc. [SHO]

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

10/26/2006

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

5. Relationship of Reporting Person(s) to
Issuer

(Check all applicable)

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

President & CFO

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 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	10/26/2006		M	17,763 A	72,041	D	
Common Stock	10/26/2006		F	6,350 D	\$ 28.94 65,691	D	

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 Amount of Underlying Securities (Instr. 3 and 4)		8. Deemed Exercise Price (Instr. 3)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Restricted Stock Unit	(1)	10/26/2006		M		17,763		(1)(2)	(1)(2)	Common Stock	17,763

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Kline Jon D 903 CALLE AMANECER SUITE 100 SAN CLEMENTE, CA 92011			President & CFO	

Signatures

Jon D. Kline 10/26/2006

 **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).

On October 26, 2004, Mr. Kline was granted an aggregate amount of 118,421 restricted stock units, subject to the satisfaction of vesting requirements over a five-year period. Upon vesting, Sunstone Hotel Investors, Inc. will deliver one share of Common Stock for each vested restricted stock unit. Mr. Kline has only the rights of an unsecured creditor in the restricted stock units and no rights as a stockholder if Sunstone Hotel Investors, Inc. until the restricted stock units vest.

(2) On October 26, 2006, 17,763 restricted stock units vested and 6,350 shares of Common Stock were withheld to satisfy tax withholding obligations. The closing stock price on October 26, 2006 of Sunstone Hotel Investors, Inc. on the New York Stock Exchange was \$28.94.

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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