

Stougaard Gary A
Form 4
October 27, 2006

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 *
Stougaard Gary A

(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
 Officer (give title below) Other (specify below)
EVP - Chief Investment Officer

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 Indirect Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price
Common Stock	10/26/2006		M		13,815	A	(\$) 59,881
Common Stock	10/26/2006		F		4,939	D	\$ 28.94 (2)

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

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(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. Amount or Number of Shares
Restricted Stock Unit	(1)	10/26/2006		M	13,815	(1)(2) (1)(2)	Common Stock	13,815

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Stougaard Gary A 903 CALLE AMANECER SUITE 100 SAN CLEMENTE, CA 92011			EVP - Chief Investment Officer	

Signatures

Gary A. Stougaard 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).
- (1) On October 26, 2004, Mr. Stougaard was granted an aggregate amount of 92,105 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. Stougaard 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, 13,815 restricted stock units vested and 4,939 shares of Common Stock were withheld to satisfy tax withholding obligations. The closing share 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. 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.