

Cruse Kenneth Edward
Form 4
February 19, 2013

FORM 4

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

OMB APPROVAL

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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

(Print or Type Responses)

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

(Last) (First) (Middle)
120 VANTIS, SUITE 350
(Street)

ALISO VIEJO, CA 92656

(City) (State) (Zip)

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

3. Date of Earliest Transaction (Month/Day/Year)
02/15/2013

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)
Chief Executive 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 Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
| | | | | (A) or (D) | Price | | |
| Common Stock | 02/15/2013 | | A | 171,726 | A (1) 787,678 | D | |
| Common Stock | 02/16/2013 | | F | 8,583 | D (2) 779,095 | D | |
| Common Stock | 02/17/2013 | | F | 6,917 | D (3) 772,178 | D | |
| Common Stock | 02/18/2013 | | F | 5,342 | D (4) 766,836 | D | |
| Common Stock | | | | | 5,215 | I | Family Trust |

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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 Owned Beneficially (Instr. 3, 4, and 5) |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|--|--|
|--|--|--------------------------------------|--|--------------------------------|---|--|---|--|--|

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|-------------------------|-------|
| | Director | 10% Owner | Officer | Other |
| Cruse Kenneth Edward 120 VANTIS SUITE 350 ALISO VIEJO, CA 92656 | X | | Chief Executive Officer | |

Signatures

/s/ Kenneth E. Cruse 02/19/2013

**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 15, 2013, Sunstone Hotel Investors, Inc. (the "Company") granted 171,726 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 16, 2013, 22,582 restricted shares of common stock (awarded to the Reporting Person on February 16, 2012) vested, and 8,583 shares of common stock were withheld to satisfy tax withholding obligations. The closing price on February 15, 2013 (as February 16, 2013 fell on a weekend) of common stock of Sunstone Hotel Investors, Inc. on the New York Stock Exchange was \$11.79 per share.
- (3)

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On February 17, 2013, 18,859 restricted shares of common stock (awarded to the Reporting Person on February 17, 2011) vested, and 6,917 shares of common stock were withheld to satisfy tax withholding obligations. The closing price on February 15, 2013 (as February 17, 2013 fell on a weekend) of common stock of Sunstone Hotel Investors, Inc. on the New York Stock Exchange was \$11.79 per share.

- (4) On February 18, 2013, 14,564 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 15, 2013 (as February 18, 2013 fell on a holiday) of common stock of Sunstone Hotel Investors, Inc. on the New York Stock Exchange was \$11.79 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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