

Sunstone Hotel Investors, Inc.  
 Form 4  
 October 26, 2004

**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 \*  
 Sunstone Hotel Investors, L.L.C.

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)  
 13155 NOEL ROAD, SUITE 700  
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)  
 10/26/2004

\_\_\_ Director \_\_\_X\_\_\_ 10% Owner  
 \_\_\_ Officer (give title below) \_\_\_ Other (specify below)

DALLAS, TX 75240

(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  
 \_\_\_X\_\_\_ 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) |                   |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|-------------------|
| Common Stock                    | 10/26/2004                           |  | J                              | V   | 9,990,832   | A  | \$ 17 (1) 9,990,932 (2) I         | See footnote. (3) |
| Common Stock                    | 10/26/2004                           |  | J                              |   | 103,684   | D  | \$ 17 (4) 9,887,248 I             | See footnote. (3) |

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

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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) |            | 6. Date Exercisable and Expiration Date (Month/Day/Year) |                 | 7. Title and Underlying (Instr. 3 and 4) |   |
|--|--|--------------------------------------|--|--------------------------------|--|------------|--|-----------------|--|---|
|  |  |                                      |  |                                | (A)  | (D)        | Date Exercisable   | Expiration Date |  |   |
| Sunstone Hotel Partnership, LLC Units (Right to acquire) | (5)  | 10/26/2004                           |  | J                              |  | 19,112,556 |  | (5)             | (5)                                      | Sunstone Hotel Investors, Inc. Common Stock |
| Sunstone Hotel Partnership, LLC Units (Right to acquire) | (5)  | 10/26/2004                           |  | S                              |  | 12,247,984 |  | (5)             | (5)                                      | Sunstone Hotel Investors, Inc. Common Stock |

## Reporting Owners

| Reporting Owner Name / Address  | Relationships |           |         |       |
|---|---------------|-----------|---------|-------|
|   | Director      | 10% Owner | Officer | Other |
| Sunstone Hotel Investors, L.L.C.<br>13155 NOEL ROAD<br>SUITE 700<br>DALLAS, TX 75240    |               | X         |         |       |
| Sunstone/WB Manhattan Beach, LLC<br>13155 NOEL ROAD<br>SUITE 700<br>DALLAS, TX 75240    |               | X         |         |       |
| Sunstone/WB Hotel Investors IV, LLC<br>13155 NOEL ROAD<br>SUITE 700<br>DALLAS, TX 75240 |               | X         |         |       |
| WB Hotel Investors, LLC<br>13155 NOEL ROAD<br>SUITE 700<br>DALLAS, TX 75240             |               | X         |         |       |

## Signatures

See signatures attached as  
Exhibit 99.1

10/26/2004

\_\_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) The shares of Common Stock were received in exchange for interests in certain property-owning entities as described under the caption "Formation and Structuring Transactions" in Sunstone Hotel Investors, Inc.'s final prospectus dated October 22, 2004.  
Consists of 4,516,702 shares of Common Stock directly owned by Sunstone Hotel Investors, L.L.C., 889,469 shares of Common Stock directly owned by WB Hotel Investors, LLC and 4,584,761 shares of Common Stock directly owned by Sunstone/WB Hotel Investors IV, LLC.
- (2) See Exhibit 99.1.
- (3) The shares of Common Stock were granted to former employees of Sunstone Hotel Investors, Inc. and will vest ratably over five years as described under the caption "Certain Relationships and Related Transactions" in the Prospectus.  
Holders of Units are entitled to present them for redemption for a cash amount equal to the then-fair market value of an equal number of shares of Sunstone Hotel Investors, Inc. or, in Sunstone Hotel Investors, Inc.'s sole discretion, an equal number of shares of Common Stock. Units are immediately eligible to be presented for redemption or become eligible at various times through October 22, 2005.
- (4) The Units were received in exchange for interests in certain property-owning entities as described under the caption "Formation and Structuring Transactions" in Sunstone Hotel Investors, Inc.'s final prospectus dated October 22, 2004.  
Consists of 8,636,329 Units directly owned by Sunstone Hotel Investors, L.L.C., 1,709,764 Units directly owned by WB Hotel Investors, LLC, 7,831,659 Units directly owned by Sunstone/WB Hotel Investors IV, LLC and 934,804 Units directly owned by Sunstone/WB Manhattan Beach.
- (5) Consists of 3,100,975 Units directly owned by Sunstone Hotel Investors, L.L.C., 615,896 Units directly owned by WB Hotel Investors, LLC, 2,606,302 Units directly owned by Sunstone/WB Hotel Investors IV, LLC and 541,399 Units directly owned by Sunstone/WB Manhattan Beach.
- (6)
- (7)
- (8)

### Remarks:

This Form 4 is being filed by the entities listed on Exhibit 99.1 to this Form 4 (the "Reporting Persons"). The Reporting Person

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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