

KAZILIONIS PAUL D
Form 4
October 26, 2004

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 *
KAZILIONIS PAUL D

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)
903 CALLE AMANECER, SUITE 100

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

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

(Street)
SAN CLEMENTE, CA 92673

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

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) | | |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|---|-------------------|
| | | | Code | V | Amount | (A) or (D) | Price | | |
| Common Stock | 10/26/2004 | | J | | 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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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 a) | |
|--|--|--------------------------------------|--|--------------------------------|--|------------|--|-----------------|--------------------------------------|---|
| | | | | | (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 |
| KAZILIONIS PAUL D 903 CALLE AMANECER SUITE 100 SAN CLEMENTE, CA 92673 | X | X | | |

Signatures

Paul D.
Kazilionis

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.
- (2) 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.

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- (3) See Exhibit 99.1.
- (4) The shares of Common Stock, which will rest ratably over 5 years, were granted to former employees of Sunstone Hotel Investors, Inc. as described under the caption "Certain Relationships and Related Transactions" in the Prospectus.
- (5) 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.
- (6) 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.
- (7) 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.
- (8) 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.

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.