

Sunstone Hotel Investors, Inc.  
Form 8-K  
June 23, 2006

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 20549**

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**FORM 8-K**

**CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(d) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): June 22, 2006

**Sunstone Hotel Investors, Inc.**

(Exact Name of Registrant as Specified in its Charter)

**Maryland**  
(State or Other Jurisdiction  
of Incorporation)

**001-32319**  
(Commission  
File Number)

**20-1296886**  
(IRS Employer  
Identification No.)

**903 Calle Amanecer, Suite 100**

**San Clemente, California**  
(Address of Principal Executive Office)

**(949) 369-4000**

**92673**  
(Zip Code)

(Registrant's telephone number, including area code)

N/A

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

.. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

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- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  
  - .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  
  - .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 1.01 Entry into a Material Definitive Agreement**

On June 22, 2006, the Compensation Committee of the Board of Directors of Sunstone Hotel Investors, Inc. (the Company ) approved a grant of 10,707 shares of restricted common stock to William M. Wagner, the Company's Senior Vice President and Chief Accounting Officer. The grant was made pursuant to the Company's 2004 Long-Term Incentive Plan. One third of the shares vested on the date of grant, with the remaining two-thirds to vest ratably on the first and second anniversary of the grant date. The stock grant had a value of \$300,000, based on the average closing price of the Company's common stock on the New York Stock Exchange for the twenty consecutive trading days ending on the third trading day prior to the date of approval of the grant.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**Sunstone Hotel Investors, Inc.**

Date: June 23, 2006

By: /s/ JON D. KLINE  
Jon D. Kline  
Executive Vice President and  
Chief Financial Officer