

SECURITIES AND EXCHANGE COMMISSION

FORM SC 13G

Schedule filed to report acquisition of beneficial ownership of 5% or more of a class of equity securities by passive investors and certain institutions

Filing Date: **2009-01-26**
SEC Accession No. 0000950134-09-001042
(FILING DELETED)

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SUBJECT COMPANY

SUNSTONE HOTEL INVESTORS INC

CIK: **930600** | IRS No.: **521891908** | State of Incorpor.: **MD** | Fiscal Year End: **1231**
Type: **SC 13G** | Act: **34** | File No.: **005-48477** | Film No.: **09545917**
SIC: **6798** Real estate investment trusts

Mailing Address
115 CALLE DE INDUSTRIAS
SUITE 201
SAN CLEMENTE CA 92672

Business Address
903 CALLE AMANECER
SAN CLEMENTE CA 92673
949-369-40

FILED BY

MSD CAPITAL L P

CIK: **1105497** | IRS No.: **742880190** | State of Incorpor.: **DE** | Fiscal Year End: **1231**
Type: **SC 13G**

Mailing Address
645 FIFTH AVENUE 21ST
FLOOR
NEW YORK NY 10022-5910

Business Address
645 FIFTH AVENUE 21ST
FLOOR
NEW YORK NY 10022-5910
2123031650

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

SCHEDULE 13G

Under the Securities Exchange Act of 1934 *

SUNSTONE HOTEL INVESTORS, INC.

(Name of Issuer)

Common Stock

(Title of Class of Securities)

867892101

(CUSIP Number)

January 15, 2009

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

- Rule 13d-1(b)
- Rule 13d-1(c)
- Rule 13d-1(d)

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications:

Janice V. Sharry, Esq.
Haynes and Boone, LLP
2323 Victory Avenue, Suite 700
Dallas, Texas 75219
(214) 651-5562

CUSIP No. 867892101

1	NAMES OF REPORTING PERSONS. MSD Capital, L.P.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions) (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>	
3	SEC USE ONLY	
4	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:	5	SOLE VOTING POWER 0
	6	SHARED VOTING POWER 2,715,343
	7	SOLE DISPOSITIVE POWER 0
	8	SHARED DISPOSITIVE POWER 2,715,343
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 2,715,343	
10	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (See Instructions) <input type="checkbox"/>	
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 5.6%	
12	TYPE OF REPORTING PERSON (See Instructions) PN	

CUSIP No. 867892101

1	NAMES OF REPORTING PERSONS. MSD SBI, L.P.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions) (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>	
3	SEC USE ONLY	
4	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:	5	SOLE VOTING POWER 0
	6	SHARED VOTING POWER 1,656,907
	7	SOLE DISPOSITIVE POWER 0
	8	SHARED DISPOSITIVE POWER 1,656,907
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 1,656,907	
10	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (See Instructions) <input type="checkbox"/>	
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 3.4%	
12	TYPE OF REPORTING PERSON (See Instructions) PN	

CUSIP No. 867892101

1	NAMES OF REPORTING PERSONS. MSD RE Investments, L.P. - Public	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions) (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>	
3	SEC USE ONLY	
4	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:	5	SOLE VOTING POWER 0
	6	SHARED VOTING POWER 1,058,436
	7	SOLE DISPOSITIVE POWER 0
	8	SHARED DISPOSITIVE POWER 1,058,436
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 1,058,436	
10	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (See Instructions) <input type="checkbox"/>	
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 2.2%	
12	TYPE OF REPORTING PERSON (See Instructions) PN	

Item 1.**(a) Name of Issuer**

SUNSTONE HOTEL INVESTORS, INC.

(b) Address of Issuer's Principal Executive Offices

903 Calle Amanecer, Suite 100, San Clemente, California 92673

Item 2.**(a) Name of Person Filing**

This statement is jointly filed by and on behalf of each of MSD Capital, L.P., MSD SBI, L.P and MSD RE Investments, L.P. – Public. MSD SBI and MSD RE Investments are the record and direct beneficial owners of the securities covered by this statement. MSD Capital is the general partner of each of MSD SBI and MSD RE Investments and may be deemed to indirectly beneficially own the securities owned by MSD SBI and MSD RE Investments. MSD Capital Management LLC is the general partner of MSD Capital. Each reporting person declares that neither the filing of this statement nor anything herein shall be construed as an admission that such person is, for the purposes of Section 13(d) or 13(g) of the Act or any other purpose, the beneficial owner of any securities covered by this statement.

(b) Address of Principal Business Office or, if none, Residence

The address of the principal business office of each reporting person is 645 Fifth Avenue, 21st Floor, New York, New York 10022

(c) Citizenship

See Item 4 on the cover page(s) hereto.

(d) Title of Class of Securities

Common Stock

(e) CUSIP Number

867892101

Item 3. If this statement is filed pursuant to §§240.13d-1(b) or 240.13d-2(b) or (c), check whether the person filing is:

- (a) A Broker or dealer registered under Section 15 of the Act (15 U.S.C. 78o).
 - (b) A Bank as defined in Section 3(a)(6) of the Act (15 U.S.C. 78c).
 - (c) An insurance company as defined in Section 3(a)(19) of the Act (15 U.S.C. 78c).
 - (d) An investment company registered under Section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).
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- (e) An investment adviser in accordance with §240.13d-1(b)(1)(ii)(E);
- (f) An employee benefit plan or endowment fund in accordance with §240.13d-1(b)(1)(ii)(F);
- (g) A parent holding company or control person in accordance with §240.13d-1(b)(1)(ii)(G);
- (h) A savings associations as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);
- (i) A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);
- (j) A group, in accordance with §240.13d-1(b)(1)(ii)(J).

Item 4. Ownership.

(a) Amount beneficially owned:

See Item 9 on the cover page(s) hereto.

(b) Percent of class:

See Item 11 on the cover page(s) hereto.

(c) Number of shares as to which such person has:

(i) Sole power to vote or to direct the vote:

See Item 5 on the cover page(s) hereto.

(ii) Shared power to vote or to direct the vote:

See Item 6 on the cover page(s) hereto.

(iii) Sole power to dispose or to direct the disposition of:

See Item 7 on the cover page(s) hereto.

(iv) Shared power to dispose or to direct the disposition of:

See Item 8 on the cover page(s) hereto.

Item 5. Ownership of 5% or Less of a Class.

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following .

Item 6. Ownership of More than 5 Percent on Behalf of Another Person

Not Applicable

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company or Control Person.

Not Applicable

Item 8. Identification and Classification of Members of the Group

Not Applicable

Item 9. Notice of Dissolution of Group

Not Applicable

Item 10. Certifications

(a) Not Applicable

(b) By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: January 26, 2009

MSD CAPITAL, L.P.

By: MSD Capital Management LLC
Its: General Partner

By: /s/ Marc R. Lisker
Name: Marc R. Lisker
Title: Manager and General Counsel

MSD SBI, L.P.

By: MSD Capital, L.P.
Its: General Partner

By: MSD Capital Management LLC
Its: General Partner

By: /s/ Marc R. Lisker
Name: Marc R. Lisker
Title: Manager and General Counsel

MSD RE INVESTMENTS, L.P. - PUBLIC

By: MSD Capital, L.P.
Its: General Partner

By: MSD Capital Management LLC
Its: General Partner

By: /s/ Marc R. Lisker
Name: Marc R. Lisker
Title: Manager and General Counsel

EXHIBIT INDEX

Exhibit	Description of Exhibit
99.1	Joint Filing Agreement (furnished herewith)

JOINT FILING AGREEMENT

Pursuant to and in accordance with the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations thereunder, each party hereto hereby agrees to the joint filing, on behalf of each of them, of any filing required by such party under Section 13 or Section 16 of the Exchange Act or any rule or regulation thereunder (including any amendment, restatement, supplement, and/or exhibit thereto) with the Securities and Exchange Commission (and, if such security is registered on a national securities exchange, also with the exchange), and further agrees to the filing, furnishing, and/or incorporation by reference of this agreement as an exhibit thereto. This agreement shall remain in full force and effect until revoked by any party hereto in a signed writing provided to each other party hereto, and then only with respect to such revoking party.

IN WITNESS WHEREOF, each party hereto, being duly authorized, has caused this agreement to be executed and effective as of the date first written above.

Date: January 26, 2009

MSD CAPITAL, L.P.

By: MSD Capital Management LLC
Its: General Partner

By: /s/ Marc R. Lisker
Name: Marc R. Lisker
Title: Manager and General Counsel

MSD SBI, L.P.

By: MSD Capital, L.P.
Its: General Partner

By: MSD Capital Management LLC
Its: General Partner

By: /s/ Marc R. Lisker
Name: Marc R. Lisker
Title: Manager and General Counsel

MSD RE INVESTMENTS, L.P. - PUBLIC

By: MSD Capital, L.P.
Its: General Partner

By: MSD Capital Management LLC
Its: General Partner

By: /s/ Marc R. Lisker
Name: Marc R. Lisker
Title: Manager and General Counsel