

Sunstone Hotel Investors, Inc.
Form SC 13G
January 27, 2009

**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.

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

2
(a)
(b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION
Delaware

5 SOLE VOTING POWER
NUMBER OF 0

6 SHARED VOTING POWER
SHARES BENEFICIALLY OWNED BY 2,715,343

7 SOLE DISPOSITIVE POWER
EACH REPORTING PERSON 0

8 SHARED DISPOSITIVE POWER
WITH: 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)

o

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.

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

2
(a)
(b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION
Delaware

5 SOLE VOTING POWER
NUMBER OF 0

SHARES BENEFICIALLY OWNED BY **6** SHARED VOTING POWER
1,656,907

EACH REPORTING PERSON **7** SOLE DISPOSITIVE POWER
0

WITH: **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)

o

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

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

2
(a)
(b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION
Delaware

5 SOLE VOTING POWER
NUMBER OF 0

6 SHARED VOTING POWER
SHARES BENEFICIALLY OWNED BY 1,058,436

7 SOLE DISPOSITIVE POWER
EACH REPORTING PERSON 0

8 SHARED DISPOSITIVE POWER
WITH: 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)

o

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) o An investment adviser in accordance with §240.13d-1(b)(1)(ii)(E);
- (f) o An employee benefit plan or endowment fund in accordance with §240.13d- 1(b)(1)(ii)(F);
- (g) o A parent holding company or control person in accordance with §240.13d- 1(b)(1)(ii)(G);
- (h) o A savings associations as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);
- (i) o 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) o 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 o.

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

/s/ Marc R. Lisker

By:
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) |