

Sunstone Hotel Investors, Inc.
Form SC 13G/A
February 15, 2006

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

SCHEDULE 13G

(Rule 13d-102)

**INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO RULES 13d-1(b), (c), AND (d) AND AMENDMENTS THERETO FILED
PURSUANT TO RULE 13d-2(c)**

SUNSTONE HOTEL INVESTORS, INC.

(NAME OF ISSUER)

COMMON STOCK

(Title of Class of Securities)

867892101

(CUSIP Number)

December 30, 2005

(Date of Event Which Requires Filing of this Statement)

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

X Rule 13d-1 (b)

X Rule 13d-1 (c)

Rule 13d-1 (d)

CUSIP No.
867892101

13G

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1. Names of Security Capital Research &
reporting persons Management Incorporated

I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS 36-4130398
(ENTITIES ONLY)

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A (a)
GROUP*

(b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

| | | | |
|---------------------|----|------------------------|-----------|
| <i>NUMBER OF</i> | 5. | SOLE VOTING POWER | 5,001,919 |
| <i>SHARES</i> | | | |
| <i>BENEFICIALLY</i> | 6. | SHARED VOTING POWER | 0 |

OWNED BY

EACH

7.

SOLE DISPOSITIVE
POWER

5,001,919

REPORTING

PERSON WITH

8.

SHARED
DISPOSITIVE POWER

0

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH
REPORTING PERSON

5,001,919

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9)
EXCLUDES

CERTAIN SHARES

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW
(9)

9.5%

12. TYPE OF REPORTING PERSON* IA

1. Names of Security Capital Preferred
reporting persons Growth Incorporated

I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS 36-4128122
(ENTITIES ONLY)

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A (a)
GROUP*

(b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Maryland

| | | | |
|---------------------|----|-----------------------------|-----------|
| <i>NUMBER OF</i> | 5. | SOLE VOTING POWER | 5,001,919 |
| <i>SHARES</i> | | | |
| <i>BENEFICIALLY</i> | 6. | SHARED VOTING POWER | 0 |
| <i>OWNED BY</i> | | | |
| <i>EACH</i> | 7. | SOLE DISPOSITIVE POWER | 5,001,919 |
| <i>REPORTING</i> | | | |
| <i>PERSON WITH</i> | 8. | SHARED DISPOSITIVE POWER | 0 |

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH
REPORTING PERSON

5,001,919

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9)
EXCLUDES

CERTAIN SHARES

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW
(9)

9.5%

12. TYPE OF REPORTING PERSON* CO

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

SUNSTONE HOTEL INVESTORS, INC.

Item **Address of Issuer's Principal**
1(b). **Executive Offices:**

903 CALLE AMANECER, SUITE 100

SAN CLEMENTE CA 92673

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

(i) Security Capital Research &
Management Inc. ("SC-R&M")

(ii) Security Capital Preferred Growth
Incorporated("SC-PG")

Item 2(b) . Address of Principal Business Office or, if None, Residence:

(i), (ii)

10 South Dearborn Street, Suite 1400

Chicago, Illinois 60603

Item 2(c) . Citizenship

(i) Delaware

(ii) Maryland

Item 2(d) . Title of Class of Securities:

COMMON STOCK

Unless otherwise noted, security being reported
is common stock

Item 2(e) . CUSIP Number: 867892101

Item 3 If this Statement is Filed Pursuant to Rule 13d-1(b), or 13d-2(b)

**Or (c), Check Whether the Person
Filing is a :**

- (a) Broker or dealer registered under Section 15 of the Exchange Act;
- (b) Bank as defined in Section 3(a)(6) of the Exchange Act;
- (c) Insurance company as defined in Section 3(a)(19) of the Exchange Act;
- (d) Investment company registered under Section 8 of the Investment Company Act;
- (i) (e) An investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E);
- (f) An employee benefit plan or endowment fund in accordance with Rule 13d-1(b)(1)(ii)(F);
- (g) A parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G);
- (h) A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;
- (i) A church plan that is excluded from the definition of an Investment company under Section 3(c)(14) of the Investment Company act;
- (j) Group, in accordance with Rule 13d-1(b)(1)(ii)(J).

If this statement is filed pursuant to Rule 13d-1(c), check this box. (ii)

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Item 4. Ownership

Security Capital Preferred Growth Incorporated ("SC-PG") beneficially owns 4,102,564 shares of common stock that SC-PG has the right to acquire upon its conversion of its 4,102,564 shares of Series C Cumulative Convertible Redeemable Preferred Stock. SC-PG is also the record owner of 899,355 shares of the Issuer's Common Stock, par value \$0.01 per share. SC-PG has delegated voting and dispositive power with respect to all 5,001,919 shares to Security Capital Research & Management Incorporated ("SC-R&M"), an investment advisor registered under the Investment Advisers act of 1940. Therefore, both SC-PG and SC-R&M are deemed to have beneficial ownership of all 5,001,919 shares.

Provide the following information regarding the aggregate number and

Percentage of the class of securities of issuer identified in Item 1.

- (a) Amount beneficially owned: (i) 5,001,919
(ii) 5,001,919
- (b) Percent of class: (i) 9.5% (ii) 9.5%

(c) Number of shares as to which (i) SC-R&M has:

- | | | |
|-------|--|-----------|
| (i) | Sole power to vote or to direct the vote: | 5,001,919 |
| (ii) | Shared power to vote or to direct the vote: | 0 |
| (iii) | Sole power to dispose or to direct the disposition of: | 5,001,919 |
| (iv) | Shared power to dispose or to direct the disposition of: | 0 |

(c) Number of shares as to which (ii) SC-PG has:

- | | | |
|-------|--|-----------|
| (i) | Sole power to vote or to direct the vote: | 5,001,919 |
| (ii) | Shared power to vote or to direct the vote: | 0 |
| (iii) | Sole power to dispose or to direct the disposition of: | 5,001,919 |
| (iv) | Shared power to dispose or to direct the disposition of: | 0 |

Item 5. Ownership of Five Percent or Less of a Class. NOT APPLICABLE

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 Five Percent
on Behalf of Another Person.**

Security Capital Research & Management Incorporated ("SC-R&M") is the beneficial owner of 5,001,919 shares, representing 9.5% of the

issuer's common stock on behalf of other persons known to have one or more of

the following:

The right to receive dividends for such securities;

The power to direct the receipt of dividends from such securities;

The right to receive the proceeds from the sale of such securities;

The right to direct the receipt of proceeds from the sale of such securities;

The 5,001,919 shares beneficially owned and reported by Security Capital Preferred

Growth Incorporated ("SC-PG") representing 9.5% of the class of securities, are

included in SC-R&M's 5,001,919 shares reported as SC-R&M is also deemed to be a

beneficial owner.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security being reported on by the Parent Holding Company

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

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.

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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.

Dated: February 14,
2006

Security Capital Research & Management
Incorporated

By: /s/ Genine M. Dawczak

Genine M. Dawczak

Assistant Controller

Security Capital Preferred
Growth
Incorporated

By: /s/ David E. Rosenbaum

David E. Rosenbaum

Managing Director

The original statement shall be signed by each person on whose behalf the statement

is filed or his authorized representative. If the statement is signed on behalf of

a person by his authorized representative (other than an executive officer or general

partner of the filing person), evidence of the representative's authority to sign on

behalf of such person shall be filed with the statement, provided, however, that a

power of attorney for this purpose which is already on file with the commission may

be incorporated by reference. The name and any title of each person who signs the

the statement shall be typed or printed beneath his signature.

Joint Filing Agreement:

In accordance with Rule 13d-1(k) under the Securities Exchange Act of 1934, as amended, the

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undersigned hereby agree to joint filing with each other of the attached statement on

Schedule 13 and to all amendments to such statement and that such statement and all

amendments to such statement are made on behalf of each of them.

IN WITNESS WHEREOF, the undersigned hereby execute this agreement on February 14, 2006.

Security Capital Research & Management Incorporated

By: /s/ Genine M. Dawczak

Genine M. Dawczak

Assistant Controller

Security Capital Preferred Growth Incorporated

By: /s/ David. E. Rosenbaum

David E. Rosenbaum

Managing Director