



B #:	2486-14
Date:	12/31/2014
To:	All Participants
Category:	Dividends
From:	Supervisor, Stock Dividend Department
Attention:	Dividend Managers, Cashiers, and Reorganization Managers
Subject:	Optional Dividend: Sunstone Hotel Investors, Inc. CUSIP: 867892101 R/D: 12/31/2014 P/D: 01/30/2015 Rate: \$0.36 per share DTC EDS Cut-off: 01/21/2015 8:00 P.M. New York City time.

*****WARNING TIME CRITICAL*****

Sunstone Hotel Investors, Inc. has declared a dividend on our common stock of \$0.36 per share, to be paid on January 30, 2015, to stock holders of record at the close of business on 12/31/2014. The dividend will be payable in cash or shares of common stock at the election of the stockholder, and is subject to a cash limitation listed below:

EFFECT OF CASH LIMITATION

Holders who elect to receive the dividend in cash may receive up to \$0.36 per share in cash; however, the company will limit the aggregate amount of cash payable pursuant to the dividend to approximately \$37 million (50% of the aggregate value of the dividend), which we refer to as the cash limitation. If holders representing more than 50% of the outstanding shares elect to receive cash, each holder making the cash election will receive a prorated distribution of the available cash, and will receive the remainder of the dividend in shares of common stock. we will pay cash in lieu of issuing any fractional shares, and cash paid in lieu of fractional shares will not count toward the cash limitation.

Option #1 (Stock): Holders may elect to receive additional shares of Sunstone Hotel Investors, Inc. common stock, cash will be paid in lieu of fractions.

Option #2 (Cash): Holders may elect to receive the dividend in the form of cash, provided that additional shares of Sunstone Hotel Investors, Inc. common stock may be paid in lieu of cash as per the cash limitation described above. **(Default)**.

The market value per share of the Common Stock for the purposes of the dividend will be the average closing price per share of Common Stock on the NYSE on January 20 and 21, 2015. As a result, on the payment date, the value of the shares delivered in the dividend may be more or less than \$0.36 per share.

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PARTICIPANTS SHOULD SUBMIT ELECTION INSTRUCTIONS OVER THE PARTICIPANT TERMINAL SYSTEM (PTS) THROUGH THE ELECTIVE DIVIDEND SYSTEM (EDS) FUNCTION.

Participants not responding to the above option by 01/21/2015, 8:00 p.m., New York City time will receive the distribution in Option # 2.

To confirm your record date positions, DTC participants should access the Dividend and Allocation History (DPAL) Menu Option, via the PTS Dividend Announcement Inquiry Function (DIVA).

If there are any questions regarding this Important Notice or the processing of related instructions via EDS, participants should contact DTC's Customer Service Help Center at (888) 382-2721.

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