

SUN MICROSYSTEMS, INC.  
 Form 4  
 July 31, 2006

**FORM 4**

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
 MCNEALY SCOTT G

2. Issuer Name and Ticker or Trading Symbol  
 SUN MICROSYSTEMS, INC.  
 [SUNW]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction (Month/Day/Year)  
 07/28/2006

Director  10% Owner  
 Officer (give title below)  Other (specify below)

4150 NETWORK CIRCLE

(Street)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

SANTA CLARA, CA 95054

(City) (State) (Zip)

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
Common Stock	07/28/2006		S	V Amount (D) Price 652,000 D \$ 4.2425	1,377,198 <sup>(1)</sup>	D	
Common Stock					293,080	I	By trust
Common Stock					55,936,480	I	By trust
Common Stock					402,800	I	By trust <sup>(2)</sup>
Common Stock					5,551	I	see footnote <sup>(3)</sup> <sup>(4)</sup>

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Common Stock	5,551	I	see footnote (3) (4)
Common Stock	5,551	I	see footnote (3) (4)
Common Stock	5,551	I	see footnote (3) (4)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**  
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)		
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Employee Stock Option (Right to Buy) <sup>(5)</sup>	\$ 4.2422					06/11/1998 <sup>(6)</sup>	06/11/2007	Common Stock	2,400,000
Employee Stock Option (Right to Buy) <sup>(5)</sup>	\$ 5.4532					06/17/1999 <sup>(6)</sup>	06/17/2008	Common Stock	3,200,000
Employee Stock Option (Right to Buy) <sup>(5)</sup>	\$ 12.5313					04/20/2000 <sup>(6)</sup>	04/20/2009	Common Stock	400,000
	\$ 40					04/12/2001 <sup>(6)</sup>	04/12/2010		1,000,000

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Employee Stock Option (Right to Buy) <sup>(5)</sup>				Common Stock	
Employee Stock Option (Right to Buy) <sup>(5)</sup>	\$ 18.58	04/18/2002 <sup>(6)</sup>	04/18/2011	Common Stock	1,500,000
Employee Stock Option (Right to Buy) <sup>(5)</sup>	\$ 12.59	11/07/2002 <sup>(6)</sup>	11/07/2011	Common Stock	1,250,000
Employee Stock Option (Right to Buy) <sup>(5)</sup>	\$ 12.59	11/07/2002 <sup>(6)</sup>	11/07/2011	Common Stock	1,250,000
Employee Stock Option (Right to Buy) <sup>(5)</sup>	\$ 9.14	03/19/2003 <sup>(6)</sup>	03/19/2012	Common Stock	200,000
Employee Stock Option (Right to Buy) <sup>(5)</sup>	\$ 6.45	05/02/2003 <sup>(6)</sup>	05/02/2012	Common Stock	200,000
Employee Stock Option (Right to Buy) <sup>(5)</sup>	\$ 7.07	05/14/2003 <sup>(6)</sup>	05/14/2012	Common Stock	800,000
Employee Stock Option (Right to Buy) <sup>(5)</sup>	\$ 3.7	07/25/2003 <sup>(7)</sup>	07/25/2012	Common Stock	1,000,000
Employee Stock Option (Right to Buy) <sup>(5)</sup>	\$ 3.85	07/23/2004 <sup>(8)</sup>	07/23/2013	Common Stock	1,500,000
	\$ 3.79	07/29/2005 <sup>(9)</sup>	07/29/2014		1,250,000

Employee Stock Option (Right to Buy) <u>(5)</u>				Common Stock	
Employee Stock Option \$ 3.85 (Right to Buy) <u>(5)</u>		07/28/2006 <sup>(10)</sup>	07/28/2015	Common Stock	900,000
Employee Stock Option \$ 4.95 (Right to Buy) <u>(5)</u>		04/27/2007 <sup>(11)</sup>	04/27/2016	Common Stock	2,100,000

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MCNEALY SCOTT G 4150 NETWORK CIRCLE SANTA CLARA, CA 95054		X		

## Signatures

/s/ Scott G.  
McNealy

07/31/2006

\*\*Signature of  
Reporting Person

Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Includes: (i) 702,000 shares of unvested restricted stock; and (ii) 6,493 shares purchased under the Sun Microsystems, Inc. 1990 Employee Stock Purchase Plan on April 28, 2006.
- (2) The reporting person disclaims beneficial ownership of these securities, and the filing of this report is not an admission that the reporting person is the beneficial owner of these securities for the purposes of Section 16 or any other purpose.
- (3) Gift from reporting person's mother.
- (4) These shares are held in a California Uniform Transfer to Minors Act account for the benefit of the reporting person's child. The reporting person's spouse is custodian of the account. The reporting person disclaims beneficial ownership of these securities, and the filing of this report is not an admission that the reporting person is the beneficial owner of these securities for the purposes of Section 16 or any other purpose.
- (5) This option was granted under the Sun Microsystems, Inc. 1990 Long-Term Equity Incentive Plan.
- (6) Immediately.
- (7) This option vests and becomes exercisable in five equal annual installments of 200,000 shares beginning on July 25, 2003.
- (8) This option vests and becomes exercisable in five equal annual installments of 300,000 shares beginning on July 23, 2004.

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- (9) This option vests and becomes exercisable in five equal annual installments of 250,000 shares beginning on July 29, 2005.
- (10) This option vests and becomes exercisable in five equal annual installments of 180,000 shares beginning on July 28, 2006.
- (11) This option vests and becomes exercisable in five equal annual installments of 420,000 shares beginning on April 27, 2007.

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