

SUN MICROSYSTEMS, INC.
 Form 4
 July 17, 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 *
 Grantham Donald C

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)
 4150 NETWORK CIRCLE
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)
 07/14/2006

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
 EVP, Global Sales & Services

SANTA CLARA, CA 95054
 (City) (State) (Zip)

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

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 Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
| | | | | (A) or (D) | Price | | |
| Common Stock | 07/14/2006 | | F | 8,179 | \$ 3.88 | D | |

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

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

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

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| 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) | 8. F. Derivative 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) ⁽¹⁾ | \$ 28.0782 | | | | | ⁽²⁾ 11/10/2007 | Common Stock | 28,000 | |
| Employee Stock Option (Right to Buy) ⁽¹⁾ | \$ 40 | | | | | ⁽²⁾ 04/12/2008 | Common Stock | 14,000 | |
| Employee Stock Option (Right to Buy) ⁽¹⁾ | \$ 50.9375 | | | | | ⁽²⁾ 10/11/2008 | Common Stock | 30,000 | |
| Employee Stock Option (Right to Buy) ⁽¹⁾ | \$ 18.58 | | | | | ⁽²⁾ 04/18/2009 | Common Stock | 20,000 | |
| Employee Stock Option (Right to Buy) ⁽¹⁾ | \$ 16.25 | | | | | ⁽²⁾ 06/13/2009 | Common Stock | 20,000 | |
| Employee Stock Option (Right to Buy) ⁽¹⁾ | \$ 7.91 | | | | | ⁽²⁾ 09/27/2009 | Common Stock | 15,000 | |
| Employee Stock Option (Right to Buy) ⁽¹⁾ | \$ 12.59 | | | | | ⁽²⁾ 11/07/2009 | Common Stock | 20,000 | |

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| | | | | | |
|---|----------|------------|------------|-----------------|--------|
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 12.59 | <u>(2)</u> | 11/07/2009 | Common Stock | 20,000 |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 9.14 | <u>(2)</u> | 03/19/2010 | Common Stock | 200 |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 9.14 | <u>(2)</u> | 03/19/2010 | Common Stock | 20,000 |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 9.14 | <u>(2)</u> | 03/19/2010 | Common Stock | 50,000 |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 7.07 | <u>(2)</u> | 05/14/2010 | Common Stock | 50,000 |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 3.7 | <u>(3)</u> | 07/25/2010 | Common Stock | 6,000 |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 3.7 | <u>(4)</u> | 07/25/2010 | Common Stock | 75,000 |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 4.2 | <u>(5)</u> | 05/21/2011 | Common Stock | 20,000 |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 4.2 | <u>(6)</u> | 05/21/2011 | Common Stock | 45,000 |
| | \$ 4.208 | <u>(7)</u> | 11/13/2011 | | 50,000 |

| | | | | | | |
|---|---------|-------------|------------|-----------------|-----------------|--|
| Employee Stock Option (Right to Buy) <u>(1)</u> | | | | | Common Stock | |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 3.94 | <u>(8)</u> | 09/17/2012 | Common Stock | 60,000 | |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 4.12 | <u>(9)</u> | 01/27/2013 | Common Stock | 150,000 | |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 3.44 | <u>(10)</u> | 04/28/2013 | Common Stock | 250,000 | |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 3.85 | <u>(11)</u> | 07/28/2013 | Common Stock | 300,000 | |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 4.95 | <u>(12)</u> | 04/27/2016 | Common Stock | 500,000 | |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---------------|-----------|------------------------------|-------|
| | Director | 10% Owner | Officer | Other |
| Grantham Donald C 4150 NETWORK CIRCLE SANTA CLARA, CA 95054 | | | EVP, Global Sales & Services | |

Signatures

/s/ Donald C.
Grantham

07/14/2006

 **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) This option was granted under the Sun Microsystems, Inc. 1990 Long-Term Equity Incentive Plan.
- (2) Immediately.
- (3) A total of 3,600 shares are fully vested and exercisable with the remaining 2,400 shares becoming exercisable as follows: (i) 1,200 shares on July 25, 2006 and (ii) 1,200 shares on July 25, 2007.
- (4) A total of 45,000 shares are fully vested and exercisable with the remaining 30,000 shares becoming exercisable as follows: (i) 15,000 shares on July 25, 2006 and (ii) 15,000 shares on July 25, 2007.
- (5) A total of 12,000 shares are fully vested and exercisable with the remaining 8,000 shares becoming exercisable as follows: (i) 4,000 shares on May 21, 2007 and (ii) 4,000 shares on May 21, 2008.
- (6) A total of 27,000 shares are fully vested and exercisable with the remaining 18,000 shares becoming exercisable as follows: (i) 9,000 shares on May 21, 2007 and (ii) 9,000 shares on May 21, 2008.
- (7) A total of 20,000 shares are fully vested and exercisable with the remaining 30,000 shares becoming exercisable as follows: (i) 10,000 shares on November 13, 2006, (ii) 10,000 shares on November 13, 2007 and (iii) 10,000 shares on November 13, 2008.
- (8) A total of 12,000 shares are fully vested and exercisable with the remaining 48,000 shares becoming exercisable as follows: (i) 12,000 shares on September 17, 2006, (ii) 12,000 shares on September 17, 2007, (iii) 12,000 shares on September 17, 2008 and (iv) 12,000 shares on September 17, 2009.
- (9) A total of 30,000 shares are fully vested and exercisable with the remaining 120,000 shares becoming exercisable as follows: (i) 30,000 shares on January 27, 2007, (ii) 30,000 shares on January 27, 2008, (iii) 30,000 shares on January 27, 2009 and (iv) 30,000 shares on January 27, 2010.
- (10) A total of 50,000 shares are fully vested and exercisable with the remaining 200,000 shares becoming exercisable as follows: (i) 50,000 shares on April 28, 2007, (ii) 50,000 shares on April 28, 2008, (iii) 50,000 shares on April 28, 2009 and (iv) 50,000 shares on April 28, 2010.
- (11) This option vests and becomes exercisable in five equal annual installments of 60,000 shares beginning on July 28, 2006.
- (12) This option vests and becomes exercisable in five equal annual installments of 100,000 shares beginning on April 27, 2007.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.