

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 *
 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)
 07/28/2006

____ 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) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
| Common Stock | 07/28/2006 | | F | V | 33,645 \$ 4.33 | D | 290,430 ⁽¹³⁾ |

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)

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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) | | |
|---|--|--------------------------------------|--|--------------------------------|---|--|---|--------------|----------------------------|
| | | | | Code | V (A) (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 28.0782 | | | | | 11/10/2000 ⁽²⁾ | 11/10/2007 | Common Stock | 28,000 |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 40 | | | | | 04/12/2001 ⁽²⁾ | 04/12/2008 | Common Stock | 14,000 |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 50.9375 | | | | | 10/11/2001 ⁽²⁾ | 10/11/2008 | Common Stock | 30,000 |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 18.58 | | | | | 04/18/2002 ⁽²⁾ | 04/18/2009 | Common Stock | 20,000 |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 16.25 | | | | | 06/13/2002 ⁽²⁾ | 06/13/2009 | Common Stock | 20,000 |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 7.91 | | | | | 09/27/2002 ⁽²⁾ | 09/27/2009 | Common Stock | 15,000 |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 12.59 | | | | | 11/07/2002 ⁽²⁾ | 11/07/2009 | Common Stock | 20,000 |

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| | | | | | |
|---|----------|---------------------------|------------|-----------------|--------|
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 12.59 | 11/07/2002 ⁽²⁾ | 11/07/2009 | Common Stock | 20,000 |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 9.14 | 03/19/2003 ⁽²⁾ | 03/19/2010 | Common Stock | 200 |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 9.14 | 03/19/2003 ⁽²⁾ | 03/19/2010 | Common Stock | 20,000 |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 9.14 | 03/19/2003 ⁽²⁾ | 03/19/2010 | Common Stock | 50,000 |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 7.07 | 05/14/2003 ⁽²⁾ | 05/14/2010 | Common Stock | 50,000 |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 3.7 | 07/25/2003 ⁽³⁾ | 07/25/2010 | Common Stock | 6,000 |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 3.7 | 07/25/2003 ⁽⁴⁾ | 07/25/2010 | Common Stock | 75,000 |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 4.2 | 05/21/2004 ⁽⁵⁾ | 05/21/2011 | Common Stock | 20,000 |
| Employee Stock Option (Right to Buy) <u>(1)</u> | \$ 4.2 | 05/21/2004 ⁽⁶⁾ | 05/21/2011 | Common Stock | 45,000 |
| | \$ 4.208 | 11/13/2004 ⁽⁷⁾ | 11/13/2011 | | 50,000 |

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) This option vests and becomes exercisable in five equal annual installments of 12,000 shares beginning on July 25, 2003.
- (4) This option vests and becomes exercisable in five equal annual installments of 15,000 shares beginning on July 25, 2003.
- (5) This option vests and becomes exercisable in five equal annual installments of 4,000 shares beginning on May 21, 2004.
- (6) This option vests and becomes exercisable in five equal annual installments of 9,000 shares beginning on May 21, 2004.
- (7) This option vests and becomes exercisable in five equal annual installments of 10,000 shares beginning on November 13, 2004.
- (8) This option vests and becomes exercisable in five equal annual installments of 12,000 shares beginning on September 17, 2005.
- (9) This option vests and becomes exercisable in five equal annual installments of 30,000 shares beginning on January 27, 2006.
- (10) This option vests and becomes exercisable in five equal annual installments of 50,000 shares beginning on April 28, 2006.
- (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.
- (13) Includes 228,750 shares of unvested restricted stock.

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.