

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 \*  
 MacGowan William N

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)  
 07/27/2006

\_\_\_\_ Director \_\_\_\_\_ 10% Owner  
 Officer (give title below) \_\_\_\_\_ Other (specify below)  
 Chief HR Officer & EVP

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	20,777 \$ 4.33	D	112,223 <sup>(10)</sup>

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 Security (Instr. 3 and 4)	Amount of Shares	
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount of Shares
Employee Stock Option (Right to Buy) <sup>(1)</sup>	\$ 12.5313					04/20/2000 <sup>(2)</sup>	04/20/2007	Common Stock	24
Employee Stock Option (Right to Buy) <sup>(1)</sup>	\$ 17					08/11/2000 <sup>(2)</sup>	08/11/2007	Common Stock	40
Employee Stock Option (Right to Buy) <sup>(1)</sup>	\$ 40					04/12/2001 <sup>(2)</sup>	04/12/2008	Common Stock	12
Employee Stock Option (Right to Buy) <sup>(1)</sup>	\$ 45.0313					06/13/2001 <sup>(2)</sup>	06/13/2008	Common Stock	24
Employee Stock Option (Right to Buy) <sup>(1)</sup>	\$ 18.58					04/18/2002 <sup>(2)</sup>	04/18/2009	Common Stock	15
Employee Stock Option (Right to Buy) <sup>(1)</sup>	\$ 16.25					06/13/2002 <sup>(2)</sup>	06/13/2009	Common Stock	5,
Employee Stock Option (Right to Buy) <sup>(1)</sup>	\$ 7.91					09/27/2002 <sup>(2)</sup>	09/27/2009	Common Stock	18
Employee Stock Option	\$ 12.59					11/07/2002 <sup>(2)</sup>	11/07/2009	Common Stock	30

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(Right to Buy) <u>(1)</u>						
Employee Stock Option (Right to Buy) <u>(1)</u>	\$ 12.59		11/07/2002 <sup>(2)</sup>	11/07/2009	Common Stock	30
Employee Stock Option (Right to Buy) <u>(1)</u>	\$ 9.14		03/19/2003 <sup>(2)</sup>	03/19/2010	Common Stock	2
Employee Stock Option (Right to Buy) <u>(1)</u>	\$ 9.14		03/19/2003 <sup>(2)</sup>	03/19/2010	Common Stock	15
Employee Stock Option (Right to Buy) <u>(1)</u>	\$ 3.7		07/25/2003 <sup>(3)</sup>	07/25/2010	Common Stock	40
Employee Stock Option (Right to Buy) <u>(1)</u>	\$ 4.2		05/21/2004 <sup>(4)</sup>	05/21/2011	Common Stock	30
Employee Stock Option (Right to Buy) <u>(1)</u>	\$ 4.208		11/13/2004 <sup>(5)</sup>	11/13/2011	Common Stock	40
Employee Stock Option (Right to Buy) <u>(1)</u>	\$ 3.9		04/30/2005 <sup>(6)</sup>	04/30/2012	Common Stock	300
Employee Stock Option (Right to Buy) <u>(1)</u>	\$ 3.79		07/29/2005 <sup>(7)</sup>	07/29/2012	Common Stock	100
Employee Stock Option (Right to	\$ 3.85		07/28/2006 <sup>(8)</sup>	07/28/2013	Common Stock	300

Buy) (1)

Employee

Stock

Option	\$ 4.26	07/27/2006		A	400,000	07/27/2007 <sup>(9)</sup>	07/27/2016	Common	400
(Right to								Stock	
Buy) <u>(1)</u>									

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MacGowan William N 4150 NETWORK CIRCLE SANTA CLARA, CA 95054			Chief HR Officer & EVP	

## Signatures

/s/ William N. MacGowan	07/31/2006
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**Signature of Reporting Person	Date
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## 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 8,000 shares beginning on July 25, 2003.
- (4) This option vests and becomes exercisable in five equal annual installments of 6,000 shares beginning on May 21, 2004.
- (5) This option vests and becomes exercisable in five equal annual installments of 8,000 shares beginning on November 13, 2004.
- (6) This option vests and becomes exercisable in five equal annual installments of 60,000 shares beginning on April 30, 2005.
- (7) This option vests and becomes exercisable in five equal annual installments of 20,000 shares beginning on July 29, 2005.
- (8) This option vests and becomes exercisable in five equal annual installments of 60,000 shares beginning on July 28, 2006.
- (9) This option vests and becomes exercisable in five equal annual installments of 80,000 shares beginning on July 27, 2007.
- (10) Includes 74,750 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.