

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 *
DILLON MICHAEL A

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)
Executive Vice President

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 | 22,252 \$ 4.33 | D | |

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 Underlying Security (Instr. 3 and 4) | |
|---|--|--------------------------------------|--|--------------------------------|---|--|---|--|--|
| | | | | Code | V (A) (D) | Date Exercisable | Expiration Date | Title | Amount of Underlying Security (Instr. 3 and 4) |
| Employee Stock Option (Right to Buy) ⁽²⁾ | \$ 3.7 | | | | | 07/25/2003 ⁽³⁾ | 07/25/2010 | Common Stock | 50 |
| Employee Stock Option (Right to Buy) ⁽²⁾ | \$ 4.2 | | | | | 05/21/2004 ⁽⁴⁾ | 05/21/2011 | Common Stock | 33 |
| Employee Stock Option (Right to Buy) ⁽²⁾ | \$ 4.208 | | | | | 11/13/2004 ⁽⁵⁾ | 11/13/2011 | Common Stock | 26 |
| Employee Stock Option (Right to Buy) ⁽²⁾ | \$ 3.9 | | | | | 04/30/2005 ⁽⁶⁾ | 04/30/2014 | Common Stock | 350 |
| Employee Stock Option (Right to Buy) ⁽²⁾ | \$ 3.79 | | | | | 07/29/2005 ⁽⁷⁾ | 07/29/2014 | Common Stock | 100 |
| Employee Stock Option (Right to Buy) ⁽²⁾ | \$ 3.85 | | | | | 07/28/2006 ⁽⁸⁾ | 07/28/2015 | Common Stock | 300 |
| Employee Stock Option (Right to Buy) ⁽²⁾ | \$ 4.26 | 07/27/2006 | | A | 400,000 | 07/27/2007 ⁽⁹⁾ | 07/27/2016 | Common Stock | 400 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|--------------------------|-------|
| | Director | 10% Owner | Officer | Other |
| DILLON MICHAEL A 4150 NETWORK CIRCLE SANTA CLARA, CA 95054 | | | Executive Vice President | |

Signatures

/s/ Michael A.

Dillon

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) 78,750 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) This option was granted under the Sun Microsystems, Inc. 1990 Long-Term Equity Incentive Plan.
- (3) This option vests and becomes exercisable in five equal annual installments of 10,000 shares beginning on July 25, 2003.
- (4) This option vests and becomes exercisable in five equal annual installments of 6,600 shares beginning on May 21, 2004.
- (5) This option vests and becomes exercisable in five equal annual installments of 5,200 shares beginning on November 13, 2004.
- (6) This option vests and becomes exercisable in five equal annual installments of 70,000 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.

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.