

SUN MICROSYSTEMS, INC.
 Form 4
 December 13, 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)
 12/11/2006

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)
			Code	V	Amount or Price		
Common Stock	12/11/2006		S(1)		21,108	D	\$ 5.86
Common Stock	12/11/2006		S(1)		100,000	D	\$ 5.85
Common Stock	12/11/2006		S(1)		97,800	D	\$ 5.83
Common Stock	12/11/2006		S(1)		230,000	D	\$ 5.81
Common Stock	12/11/2006		S(1)		901,500	D	\$ 5.8

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Common Stock	12/11/2006	S ⁽¹⁾	579,000	D	\$ 5.79	2,727,606 (2)	D	
Common Stock	12/11/2006	S ⁽¹⁾	242,105	D	\$ 5.78	3,306,606 (2)	D	
Common Stock	12/11/2006	S ⁽¹⁾	149,100	D	\$ 5.77	3,548,711 (2)	D	
Common Stock	12/11/2006	S ⁽¹⁾	79,387	D	\$ 5.76	3,697,811 (2)	D	
Common Stock	12/11/2006	M	2,400,000	A	\$ 4.2422	3,777,198 (2)	D	
Common Stock						293,080	I	Shares held by trust.
Common Stock						55,936,480	I	Shares held by trust.
Common Stock						402,800	I	Shares held by trust. ⁽³⁾
Common Stock						5,551	I	See footnotes. ^{(4) (5)}
Common Stock						5,551	I	See footnotes. ^{(4) (5)}
Common Stock						5,551	I	See footnotes. ^{(4) (5)}
Common Stock						5,551	I	See footnotes. ^{(4) (5)}

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

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(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	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)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount Underlying Securities (Instr. 3 and 4)
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Security	(Instr. 3, 4, and 5)			Date Exercisable	Expiration Date	Title	Amount Number Shares	
	Code	V (A)	(D)					
Employee Stock Option (Right to Buy) ⁽⁶⁾	\$ 4.2422	12/11/2006	M	2,400,000	<u>(7)</u>	06/11/2007	Common Stock	2,400,000
Employee Stock Option (Right to Buy) ⁽⁶⁾	\$ 5.4532				<u>(7)</u>	06/17/2008	Common Stock	3,200,000
Employee Stock Option (Right to Buy) ⁽⁶⁾	\$ 12.5313				<u>(7)</u>	04/20/2009	Common Stock	400,000
Employee Stock Option (Right to Buy) ⁽⁶⁾	\$ 40				<u>(7)</u>	04/12/2010	Common Stock	1,000,000
Employee Stock Option (Right to Buy) ⁽⁶⁾	\$ 18.58				<u>(7)</u>	04/18/2011	Common Stock	1,500,000
Employee Stock Option (Right to Buy) ⁽⁶⁾	\$ 12.59				<u>(7)</u>	11/07/2011	Common Stock	1,250,000
Employee Stock Option (Right to Buy) ⁽⁶⁾	\$ 12.59				<u>(7)</u>	11/07/2011	Common Stock	1,250,000
Employee Stock Option (Right to Buy) ⁽⁶⁾	\$ 9.14				<u>(7)</u>	03/19/2012	Common Stock	200,000
Employee Stock	\$ 6.45				<u>(7)</u>	05/02/2012	Common Stock	200,000

Option (Right to Buy) ⁽⁶⁾					
Employee Stock Option (Right to Buy) ⁽⁶⁾	\$ 7.07	<u>(7)</u>	05/14/2012	Common Stock	800,
Employee Stock Option (Right to Buy) ⁽⁶⁾	\$ 3.7	<u>(8)</u>	07/25/2012	Common Stock	1,000
Employee Stock Option (Right to Buy) ⁽⁶⁾	\$ 3.85	<u>(9)</u>	07/23/2013	Common Stock	1,500
Employee Stock Option (Right to Buy) ⁽⁶⁾	\$ 3.79	<u>(10)</u>	07/29/2014	Common Stock	1,250
Employee Stock Option (Right to Buy) ⁽⁶⁾	\$ 3.85	<u>(11)</u>	07/28/2015	Common Stock	900,
Employee Stock Option (Right to Buy) ⁽⁶⁾	\$ 4.95	<u>(12)</u>	04/27/2016	Common Stock	2,100

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

12/13/2006

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) The sales reported in this Form 4 were effected pursuant to a Rule 10b5-1 trading plan adopted by the reporting person on February 20, 2006.
- (2) This 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.
- (3) 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.
- (4) Gift from reporting person's mother.

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.
- (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.

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.