

MCNEALY SCOTT G
Form 4
February 22, 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)
4150 NETWORK CIRCLE
(Street)

3. Date of Earliest Transaction (Month/Day/Year)
02/17/2006

Director 10% Owner
 Officer (give title below) Other (specify below)
Chairman and CEO

SANTA CLARA, CA 95054

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

(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	(A) or (D)	Price
Common Stock	02/17/2006		M		2,400,000	A	\$ 3.125
Common Stock	02/17/2006		S		500,000	D	\$ 4.3
Common Stock	02/17/2006		S		408,100	D	\$ 4.31
Common Stock	02/17/2006		S		289,898	D	\$ 4.32
Common Stock	02/17/2006		S		436,302	D	\$ 4.33

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Common Stock	02/17/2006	S	300	D	\$ 4.34	2,136,105 <u>(1)</u>	D	
Common Stock	02/17/2006	S	110,938	D	\$ 4.35	2,025,167 <u>(1)</u>	D	
Common Stock	02/17/2006	S	75,000	D	\$ 4.36	1,950,167 <u>(1)</u>	D	
Common Stock	02/17/2006	S	579,462	D	\$ 4.37	1,370,705 <u>(1)</u>	D	
Common Stock						293,080	I	By trust
Common Stock						55,936,480	I	By trust
Common Stock						402,800	I	By trust <u>(2)</u>
Common Stock						5,551	I	see footnote <u>(2)</u> <u>(4)</u>
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Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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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 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
	\$ 3.125	02/17/2006		M	2,400,000	<u>(3)</u> 07/17/2006	Amount Number Shares 2,400

Employee
Stock
Option
(Right to
Buy)

Common
Stock

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MCNEALY SCOTT G 4150 NETWORK CIRCLE SANTA CLARA, CA 95054	X		Chairman and CEO	

Signatures

/s/ Scott G.
McNealy

02/22/2006

**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).

- Includes: (i) 1,354,000 shares of restricted stock, which are held in an escrow account with respect to which Mr. McNealy has no voting power and which provides for the immediate sale of the shares upon vesting, subject to Sun's policies and applicable securities laws; and (ii) 2,063 shares purchased under the Sun Microsystems, Inc. 1990 Employee Stock Purchase Plan on October 31, 2005.
- (1) power and which provides for the immediate sale of the shares upon vesting, subject to Sun's policies and applicable securities laws; and (ii) 2,063 shares purchased under the Sun Microsystems, Inc. 1990 Employee Stock Purchase Plan on October 31, 2005.
 - (2) 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.
 - (3) This option was fully vested.
 - (4) These shares are held in a California Uniform Transfer to Minors Act account for the reporting person's child. The reporting person's spouse is custodian of the account.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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