SUN MICROSYSTEMS, INC.

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SCHEDULE 14A INFORMATION

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Sun Microsystems, Inc.

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The following is a transcript of a conference call hosted by Sun Microsystems, Inc. on June 28, 2005:

SUN MICROSYSTEMS

Moderator: Jeff Boldt

06-28-05/7:15 am CT

Confirmation #7453321

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SUN MICROSYSTEMS

Moderator: Jeff Boldt

June 28, 2005

7:15 am CT

Operator:	Good morning. My name is (Judy) and I will be your conference facilitator. At this time I would like to welcome everyone to the Sun Microsystems conference call.
	All lines have been placed on mute to prevent any background noise. After the speakers remarks there will be a question and answer period. If you would like to ask a question during this time, simply press star then the number 1 on your telephone keypad. If you would like to withdraw your question, press star then the number 2 on your telephone keypad.
	Thank you, ladies and gentlemen. I would now like to turn the call over to Mr. Jeff Boldt, Director of Investor Relations for Sun Microsystems.
Jeff Boldt:	Good morning, everyone. Thank you for joining us. With me today is Scott McNealy, Sun s Chairman and Chief Executive Officer, Jim Demetriades, SeeBeyond s founder and Chief Executive Officer, and Steve McGowan, Sun s Chief Financial officer and executive vice president, corporate resources.

Jonathan Schwartz, Sun s President and Chief Operating Officer, and John Loiacono, Sun s Executive Vice President, software group, will join us for the Q&A session.

The purpose of today s call is to discuss this morning s announcement that Sun and SeeBeyond have entered into a definitive agreement under which Sun will acquire SeeBeyond. We have posted slides you can view on the Web, which accompany our prepared remarks. These slides may be viewed at Sun.com/investors.

The prepared remarks of our call today last about 20 minutes, with the remaining 25 minutes devoted to the Q&A session.

During the course of this conference call, we will make projections or other forward looking statements. These forward looking statements include the expected impact of the acquisition on Sun s future results of operations, product offerings and market opportunities.

Such statements are just predictions, and involve risks and uncertainties such that actual results may differ materially. I ll refer you to Sun s periodic reports that are filed from time to time with the Securities and Exchange Commission. These reports include the annual report on Form 10K for the fiscal year ended June 30, 2004, and Form 10Qs for the quarters ended September 26, 2004, December 26, 2004, and March 27, 2005.

These documents contain and identify important factors that could cause the actual results to differ materially from those contained in our projections.

With that, I ll turn it over to Scott.

Scott McNealy:

Thanks, Jeff, and good morning everyone. It s starting to become a habit here, getting you all up early. It certainly gets us up early out here on the west coast. But this one s very exciting also.

We did the StorageTek announcement which bolstered our go to market presence in technology in the data management side of the business. We got a real interesting growth and leadership story here to talk about today. Little different flavor, little smaller, but very strategic.

We just signed a definitive agreement to acquire SeeBeyond for $387 million in cash. So this is a real opportunity here.

We just celebrated the ten year anniversary of Java yesterday with a big birthday cake on stage at JavaOne. And the first ten years was all about creating the community. And we ve got about a 2.5 billion device, 4.5 million developer Java platform out there today. And this is all about how Sun and its shareholders will be able to monetize that market opportunity in a big time way.

This is a natural extension of a relationship formed in October 2004. And actually goes before that, but we really formalized a go to market and engineering relationship in October of 2004. We have lots of great customers. The U.K. National Health Service, better known as the NHS, Blue Cross Blue Shield of Massachusetts, and Route One are some of the customers that we are going to market together with.

NHS for example has a massive integration project. 600,000 health care providers, 10,000 health care applications, 40,000 provider sites, which should generate up to six billion transactions a year by 2010.

The reason I highlight that is Sun has always been about solving very large complex network computing problems. Problems that scale well beyond where our competition tends to focus. And I think that s a great example of the kind of scalability that you can see here with the SeeBeyond technology.

The alignment here around vision, product roadmap and corporate cultures I think is very clear. There s 15 years of leadership here from SeeBeyond in integration software and a visionary impact on - Gartner I think has had them for six years in their upper right hand corner - what s that called? - leaders quadrant. So - sorry, Gartner. So, pretty impressive ability to lead there for a long period of time.

It s a fiscally solid and well-run company. Trailing 12-month revenues to March of 2005 of about $167 million, about 2000 enterprise customers world wide, and a world class sales organization with the kind of skill sets that everybody wants to have today, wrapped around SOA, service oriented architectures, and business integration.

It s an obvious choice for us. And business integration, which is a $5 billion market and a top IT spending priority, was a place we needed to play and is an important strategic investment.

Anybody who s done an analysis says Sun s got great SOA architecture. We had a very timely set of announcements at JavaOne yesterday. The Java community process has completed a Java specification request for the Java business integration specification and that was announced yesterday on stage at JavaOne - which is an opportunity to really standardize the integration framework in a big time way across different suppliers and different applications and different customers.

And we also announced that we re open sourcing the ESB, the enterprise services bus. And that again is providing a wonderful framework on which to drop this SeeBeyond implementation of business integration.

We now jump right to the front of the business integration market, with Solaris 10, with the Java enterprise systems stack, and all of the identity management and directory and interoperability with Microsoft, all of the SOA architecture and enterprise systems bus capabilities built around the JBI. And now SeeBeyond right on top of this.

It also plays very nicely with the Sun service registry announcement that we made, to allow people to truly address Web services access and SOA development and deployment. We have a complete SOA story with this combination.

So - let s see what else do I want to say about this thing. SeeBeyond has been a development partner with us. They develop on Solaris. They use NetBeans for their development environment. And with our agreement in October of 2004 are tightly integrating with the Java enterprise system environment. In fact in August there are plans to ship ICAN 5.1 which will be able to deploy applications right on the Sun applications server, which we just open sourced yesterday at JavaOne.

It s just the tip of the iceberg. There s all kinds of projects to be worked here. But this really means end to end development tools, a full suite of leadership run time environments. Enterprise connectivity legacy systems. An extremely powerful environment for building network applications. Without re - architecture. You don t need to convert it all to full Java. And you don t have to port them to Solaris 10 and Solaris X64. We d appreciate it if you would, but you don t need to do it with this system.

So this is not just traditional integration here. This allows you to preserve your investment in your legacy systems. You wrap them and present them as re-usable services and then build composite applications out of these distributed Web services.

You know, we used to have to have two different environments. One for traditional build your applications and another one for integration. Now we ve combined those two different skills and tool sets into a common converged environment.

We looked around, we looked around hard. And we didn t see anything out there that had the kind of capabilities that ICAN 5 has. And we re very excited about it.

Jim s built a great team. A very compatible focus on innovation and technology. I believe the cultures are a natural fit. They re a good left coaster out here in California. And I think all in all we have really built an opportunity to go after this $5 billion enterprise application platform space.

So one other I think big winner here will be all of our joint integration partners, who are going to be very excited about taking this product to market. Leading with Accenture, who has a true expertise and very excited about this. CSC, PWC, Deloitte, UDS, Cap - all of the major systems integrators are very excited about this. And would certainly much rather lead with Java enterprise systems, Solaris and SeeBeyond than, say, Web sphere.

So I think this gives them another opportunity here to get more highly aligned with both companies.

This will complete our java enterprise system with the addition of a sixth suite, the Java integration suite. And certainly will be one of the most leaderful components of this environment.

Anyhow it s a huge market, a huge opportunity to talk to customers. Building these composite applications and integrating this stuff is huge. But you know what, I m a golf major. And I d like to turn this over to the founder and CEO of SeeBeyond, Jim Demetriades, who is the guru here and can really talk about his views today on the market and today s announcement. So Jim, thank you.

Jim Demetriades: Thank you very much, Scott.

First I d like to say how excited I am that we are joining forces with Sun. This is absolutely the next logical step in addressing aggressively a huge market opportunity in the enterprise application development space.

SeeBeyond, as many people know, for the last 15 years has been creating a vision and reality around the introduction of its ICAN technology suite. And there s nothing like it in the world today. It is the only completely organically developed integration offering available on the market that is unique in its ability to run natively on J2EE.

It s unique in the fact that it combines Sun s JES and SeeBeyond s ICAN technology suites in such a way that it will bring to market the most comprehensive and productive application development platform suite available in the world today. Gartner has us as the visionary leader in the world of integration. The market has repeatedly endorsed this vision, recognizing us as the leader.

But with today s announcement, what we re basically doing is fast forwarding that vision with a complimentary technology and a massive sales channel that will be provided by Sun. And as a result we will accelerate this value proposition to our customers, partners, employees and shareholders.

Let me close by saying, this is a brilliant move by Sun. The combination is unstoppable. As the leader in an integration technology, SeeBeyond looks forward to - with Sun - introducing a whole new paradigm on how software applications can be developed, how these applications and their services can be shared, and how these applications can be integrated throughout the world.

With that I ll now turn the call over to Steve.

Steve McGowan: Great. Thank you, Jim, and welcome.

Let me give you a brief summary of the transaction, and then discuss a few of the key financial metrics.

Under the terms of the transaction, SeeBeyond stockholders will receive $ 4.25 per share in cash, with the overall deal valued at approximately $387 million. This represents a 29.6% premium over yesterday s closing price.

The transaction will be accounted for as a purchase acquisition, and we expect the transaction to close in early fall.

Closing is subject to customary closing conditions, including regulatory approval and SeeBeyond s stockholder approval.

We anticipate this acquisition to be slightly dilutive on a non-GAAP basis for the first 12 months following closing. And we anticipate it will be accretive on

a non-GAAP basis after the first 12 months following closing, primarily due to the revenue synergies.

We re discussing non-GAAP information due to the inability at this time to estimate the acquisition-related restructuring costs and the specific allocation of the purchase price to IPR&D, goodwill, other intangibles and other asset adjustments, as well as the impact of equity-based compensation expense associated with FAS 123R.

On one of the posted slides accompanying this conference call, we show certain key financial metrics for SeeBeyond for the last four quarters ended March 2005. And looking at the trailing 12 months, the acquisition of SeeBeyond would have contributed positively to our revenue and gross margin and would have been neutral to our cash flow from operations.

Lastly, I ll mention that based on SeeBeyond s cash and investment balance of approximately $74 million at March 31, 2005, the net cash outlay for this acquisition is expected to be approximately $313 million.

With that, let me turn it back to Scott.

Scott McNealy: So I d like to just reiterate. This combination brings a heck of a lot to the party. Customers are going to be quite excited. The best of breed approach of having to go mix and match systems and operating systems and middleware and integration partners is one they re getting kind of tired of. And being able to put this all together under one shop, one service level agreement, if you will, is going to be quite attractive to them.

It s our commitment to capitalize on our key franchises. It s an opportunity over the next ten years to monetize the market that has been created for Java

web services and we think JDS, SeeBeyond, Solaris 10 and the new chip multithreading microprocessors, our thin clients, are all interesting opportunities.

And on top of StorageTek, Tarantella, and the Procom NAS assets we are assembling all of the pieces in a very integrated and supportable way to go monetize the position that we ve built here in the first 23, 24 years of Sun s existence.

So with that, I ll turn it back over to Jeff for Q&A.

Jeff Boldt: Thanks Scott, Jim, and Steve.

Now let s take your questions. Jonathan Schwartz and John Loiacono would be joining us for the Q&A session.

Operator, will you please start the question and answer session?

Operator: Ladies and gentlemen, we will now begin the question and answer portion of today s call. If you have a question, please press star 1 on your telephone keypad. You will be announced prior to asking your question. If you would like to withdraw your question, press star then the number 2.

Please wait a moment for the first question.

Your first question comes from the line of Mark Salmon with Carolls and Company.

Mark Salmon: Hi guys. With impending StorageTek deal and this deal and potentially some others as well as the reorg in Sun Feds, could you help me understand a bit

better what Sun may look like a few quarters from now? I ve got a feeling that it s going to be a fairly differently shaped company. What s this whole ball of wax going to look like in a couple of quarters?

Scott McNealy: Jonathan maybe you want to take a crack at that?

Jonathan Schwartz: You bet. So I think what s very obvious to us and is   was very evident yesterday at Java one is that, you know, software is certainly the leading edge of large-scale revenue opportunities going forward.

So in order for Sun to fully participate in that marketplace, we ve got to have a very strong, kind of front-end engagement with customers, which right now, is dominantly centered around two issues. One of them is the integration of business systems because there aren t a whole lot of folks right now writing new applications and secondly security and identity.

But as soon as they get those issues resolved, they both yield a very significant wave of infrastructure deployment, which is, you know, you ve probably seen in the marketplace, dominantly focused around large scale grids as well as large-scale storage grids and storage deployment.

So going forward, we want to ensure that we re as articulate as we can be about the vision of the future of Java. And you know, standing on stage yesterday with customers who are now monetizing Java on the handset, you know, clearly we see the next wave around Blueray and consumer devices coming on board.

But we also want to make sure that we re well aligned organizationally, not only to engage in that dialog but yield revenue back to the stockholders based on leading edge technologies and products.

So I think, you know, next couple three years you re going to continue to see acquisitions that strengthen our position around vision as well as technology engagement on the front end as well as position as well to manage very largescale infrastructure problems that customers face whether it s the government or financial services or telecommunications. And with an appropriate breadth of infrastructure product on the deployment side.

Scott McNealy: Does that answer your question, Mark or did we miss?

Mark Salmon: No. I can probably read a few things into that. But it is going to be a different company, I think, right?

It s not going to look the same when I go out a few quarters from now. There ll be some different people. There ll be some different organizations. Different customer facing approaches.

Scott McNealy: Yes. And it s not the hot chips company that, you know, the old engineering workstation world is all about although our dual core Opteron product is hot. The Ultra Sparc 4 plus and Ultra Sparc 3 I plus are really hot. The new APL chip. We got hot chips. And the chip multithreading stuff is going to be very exciting. So we can still do that but that s not going to be the lead warhead, if you will.

Mark Salmon: Thanks.

Jeff Boldt: Next question please.

Operator: Your next question is from Gary Abbot with Merriman Gerhan Ford.

Gary Abbott:

Hi. Congratulations to everyone. One question to the Sun guys. I was under the impression that you guys were working with multiple of the integration vendors and particularly somewhat on a vertical market approach. So you mentioned the NHS deal with SeeBeyond. I was under the impression you might be working with the Tibco and financial services. And just sort of thinking, you know, what is going to be your approach to the other integration companies going forward?

Jonathan Schwartz:

This is Jonathan. We will certainly continue to partner with a diversity of industry participants. And especially those with vertical market expertise. But I think what s become evident in the marketplace is that customers want a platform approach. They don t want to have a particular solution that only works for their vertical. They want to have a good robust, general purpose infrastructure, which they can then purpose or connect to whatever application they desire.

So we re going to certainly continue working with IBM, with Websphere, with BEA, with their Aqualogic platform, with Tibco and the innovation they drive. Along with Web Methods and others just as we today work with many of those vendors and their application servers running on, you know, Solaris 10.

So you know, if you look to yesterday s announcement with IBM we announced a landmark, you know, partnership with them around the interoperability of their products and the support for their products on Solaris 10. We announced interoperability with Microsoft a year ago. We re absolutely, you know, as committed today to continue driving that interoperability and partnering with industry leaders. And we re going to continue.

	All that said, driving a platform that allows customers the what we believe will be the most economic and price performing general purpose solutions.
Gary Abbott:	Great. Thank you.
Jeff Boldt:	Next question please.
Operator:	Your next question comes from David Dow with Piper Jaffray.
David Dow:	Hey guys. Congratulations on the deal.
	I don t know if somebody asked I joined in a little late. But what s is there a break up fee with the deal?
Man:	Yeah. There s a sort of a normal a