

SUN MICROSYSTEMS, INC.
Form 8-K
May 04, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): April 28, 2005

Sun Microsystems, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

0-15086
(Commission File Number)

94-2805249
(IRS Employer
Identification No.)

4150 Network Circle
Santa Clara, California
(Address of Principal Executive Offices)

95054-1778
(Zip Code)

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(650) 960-1300

(Registrant's telephone number, including area code)

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement.

On April 28, 2005, Sun Microsystems, Inc. (the Company) approved the acceleration of vesting of certain unvested and out-of-the-money stock options with exercise prices equal to or greater than \$6.00 per share previously awarded to its employees, including its executive officers, and its directors under the Company's equity compensation plans. The acceleration of vesting will be effective for stock options outstanding as of May 30, 2005. Options to purchase approximately 45.2 million shares of common stock or 18% of the Company's outstanding unvested options (of which options to purchase approximately 2.75 million shares or 1% of the Company's outstanding unvested options are held by the Company's executive officers) are subject to the acceleration. The weighted average exercise price of the options subject to the acceleration is \$14.85.

The purpose of the acceleration is to enable the Company to avoid recognizing compensation expense associated with these options in future periods in its consolidated statements of operations, upon adoption of FASB Statement No. 123R (Share-Based Payment) in July 2005. The pre-tax charge to be avoided amounts to approximately \$400 million over the course of the original vesting periods, which on average is approximately 1.5 years from the effective date of the acceleration. The Company also believes that because the options to be accelerated have exercise prices in excess of the current market value of the Company's common stock, the options have limited economic value and are not fully achieving their original objective of incentive compensation and employee retention.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: May 2, 2005

SUN MICROSYSTEMS, INC.

By: /s/ Michael A. Dillon

Michael A. Dillon
Senior Vice President, General

Counsel and Secretary