

SUN MICROSYSTEMS INC

Form DEF 14A

September 30, 2002

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**SCHEDULE 14A
(RULE 14a-101)**

INFORMATION REQUIRED IN PROXY STATEMENT SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to § 240.14a-12

Sun Microsystems, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Sun Microsystems, Inc.

4150 Network Circle, Santa Clara, CA 95054
650-960-1300

SUN MICROSYSTEMS, INC.

September 30, 2002

Dear Stockholder:

Our 2002 Annual Meeting of Stockholders will be held on November 7, 2002 in the Auditorium of our Santa Clara campus, 4030 George Sellon Circle, Santa Clara, California. Details regarding admission to the meeting and the business to be conducted are more fully described in the accompanying Notice of 2002 Annual Meeting of Stockholders and in the Proxy Statement.

Your vote is important. Whether or not you plan to attend the meeting, I urge you to vote your shares as soon as possible. Instructions in the proxy card will tell you how to vote over the Internet, by telephone or by returning your proxy card. The proxy statement explains more about proxy voting. Please read it carefully.

I highly encourage you to receive future Sun annual reports and proxy statement materials electronically and help us save costs in producing and distributing these materials. If you wish to receive our annual report and proxy statement electronically next year, please follow the instructions on the enclosed proxy card.

Similar to our past annual meetings, in addition to considering matters described in the proxy statement, we will review major business developments since our last stockholders meeting.

Thank you for your continued support of our company.

Sincerely,

SCOTT G. MCNEALY
*Chairman of the Board of Directors,
President and Chief Executive Officer*

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SUN MICROSYSTEMS, INC.

NOTICE OF 2002 ANNUAL MEETING OF STOCKHOLDERS

Date: Thursday, November 7, 2002

Time: 10:00 a.m. (registration will begin at 9:00 a.m.)

Place: Auditorium
Sun Microsystems, Inc.
Santa Clara campus
4030 George Sellon Circle
Santa Clara, California

At the meeting you will be asked to:

Elect ten (10) directors;

Approve an increase in the number of shares reserved for issuance under our 1990 Long-Term Equity Incentive Plan;

Consider a stockholder proposal; and

Consider any other matters that may properly be brought before the meeting.

By order of the Board of Directors,

JOHN D. CROLL

Senior Vice President, General Counsel and Secretary

Santa Clara, California
September 30, 2002

Please vote by telephone or by using the Internet as instructed in the proxy card, or complete, sign and date the proxy card as promptly as possible and return it in the enclosed envelope.

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PROXY STATEMENT

**FOR 2002 ANNUAL MEETING OF STOCKHOLDERS OF SUN MICROSYSTEMS, INC.
(solicited on behalf of the Board of Directors of Sun Microsystems, Inc.)**

Information concerning solicitation and voting

Your vote is very important. For this reason, our Board of Directors is requesting that you permit your common stock to be represented at the annual meeting by the proxies named on the enclosed proxy card. This proxy statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. Please read it carefully.

Voting materials, which include the proxy statement, proxy card, and the annual report on Form 10-K for fiscal year 2002, were mailed to stockholders by Sun beginning September 30, 2002. Sun's principal executive offices are located at 4150 Network Circle, Santa Clara, California 95054. Sun's main telephone number is (650) 960-1300.

General information about the meeting

Who may vote

You may vote your Sun common stock if our records show that you owned your shares on September 10, 2002. At the close of business on that date, 3,135,404,506 shares of Sun common stock were outstanding and eligible to vote. You may cast 1 vote for each share of common stock held by you on all matters presented, except for the election of the directors (read "Vote required" at the end of "Proposal 1, Election of Directors" below for further explanation).

Voting your proxy

Whether you hold shares in your name or through a broker, bank or other nominee, you may vote without attending the meeting. You may vote by granting a proxy or, for shares held through a broker, bank or other nominee, by submitting voting instructions to that nominee. Instructions for voting by telephone, by using the Internet or by mail are on your proxy card. For shares held through a broker, bank or other nominee, follow the instructions on the voting instruction card included with your voting materials. If you provide specific voting instructions, your shares will be voted as you have instructed. If you hold shares in your name, and you sign and return a proxy card without giving specific voting instructions, your shares will be voted as recommended by our Board of Directors on all matters. If you hold your shares through a broker, bank or other nominee and you do not instruct them how to vote, your broker may have authority to vote your shares. However, the New York Stock Exchange has proposed new regulations that would prohibit brokers or other nominees that are NYSE member organizations from voting in favor of proposals relating to equity compensation plans unless they receive specific instructions from the beneficial owner of the shares to vote in that manner. This new rule may become effective before the meeting, in which case, for shares held through a broker or other nominee who is an NYSE member organization, your shares will only be voted in favor of Proposal 2 if you have provided specific voting instructions to your broker or other nominee to vote your shares in favor of that proposal. See "Vote required" following each proposal for further information.

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Votes needed to hold the meeting

The annual meeting will be held if a majority of Sun's outstanding shares entitled to vote is represented at the meeting. This is called a quorum. Your shares will be counted for purposes of determining if there is a quorum, even if you wish to abstain from voting on some or all matters introduced at the meeting, if you:

are present and vote in person at the meeting; or

have properly submitted a proxy card or voted by telephone or by using the Internet.

Matters to be voted on at the meeting

The following proposals will be presented for your consideration at the meeting:

Election of the Board of Directors;

Approval of an increase in the shares reserved for issuance under our 1990 Long-Term Equity Incentive Plan;

A stockholder proposal entitled "China Business Principles for Rights of Workers in China"; and

Any other matters that may properly be brought before the meeting.

Cost of this proxy solicitation

We will pay the costs of the solicitation. We have hired Georgeson Shareholder Communications, Inc. as our proxy solicitor to help us solicit proxies from brokers, bank nominees and other institutions for a fee of \$24,750, plus reasonable out-of-pocket expenses. We may also reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding the voting materials to their customers who are beneficial owners and obtaining their voting instructions. In addition to soliciting proxies by mail, our board members, officers and employees may solicit proxies on our behalf, without additional compensation, personally or by telephone or we may ask our proxy solicitor to solicit proxies on our behalf by telephone for a fee of \$4.75 per phone call, plus reasonable expenses. We are soliciting proxies electronically through the Internet from stockholders who are our employees or who previously requested to receive proxy materials electronically through the Internet.

Attending the meeting

You may vote shares held directly in your name in person at the meeting. If you want to vote shares that you hold in street name at the meeting, you must request a legal proxy from your broker, bank or other nominee that holds your shares.

Changing your vote

You may revoke your proxy and change your vote at any time before the final vote at the meeting. You may do this by signing a new proxy card with a later date, voting on a later date by telephone or by using the Internet (only your latest telephone or Internet proxy is counted), or by attending the meeting and voting in person. However, your attendance at the meeting will not automatically revoke your proxy; you must specifically revoke your proxy. See also "General information about the meeting" "Voting your proxy" above for further instructions.

Our voting recommendations

Our Board of Directors recommends that you vote:

FOR each of management's nominees to the Board of Directors;

FOR amendment of our 1990 Long-Term Equity Incentive Plan; and

AGAINST adoption of the stockholder proposal entitled "China Business Principles for Rights of Workers in China."

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Voting results

The preliminary voting results will be announced at the meeting. The final voting results will be tallied by our Transfer Agent and Inspector of Elections and published in our quarterly report on Form 10-Q for the second quarter of fiscal 2003.

Delivery of voting materials to stockholders sharing an address

To reduce the expenses of delivering duplicate voting materials to our stockholders who may have more than one Sun stock account, we are delivering only one set of the proxy statement and the annual report on Form 10-K for fiscal 2002 to certain stockholders who share an address unless otherwise requested. A separate proxy card is included in the voting materials for each of these stockholders.

How to obtain a separate set of voting materials

If you share an address with another stockholder and have received only one set of voting materials, you may write or call us to request a separate copy of these materials at no cost to you. For future annual meetings, you may request separate voting materials, or request that we send only one set of voting materials to you if you are receiving multiple copies, by calling us at: (650) 960-1300 or by writing us at: Sun Microsystems, Inc., 4150 Network Circle, Santa Clara, CA 95054, Attn: Investor Relations.

You may receive a copy of Sun's Annual Report on Form 10-K for fiscal year 2002 without charge or a copy of the exhibits to Sun's Annual Report on Form 10-K for fiscal year 2002 for a reasonable fee by sending a written request to Sun Microsystems, Inc., 4150 Network Circle, Santa Clara, California 95054, Attn: Investor Relations.

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PROPOSAL 1

ELECTION OF DIRECTORS

We have 8 members and 3 vacancies on our Board of Directors. All 8 members of our Board of Directors have been nominated for election at the annual meeting to hold office until the next annual meeting and the election of their successors. In addition, the Board of Directors has nominated Michael E. Lehman and Lynn E. Turner to be elected at the annual meeting to hold office, effective as of November 7, 2002, until the next annual meeting and the election of their successors.

The remaining position on our Board of Directors will remain vacant. The Board of Directors believes that it is in the best interest of Sun and our stockholders to keep 1 vacancy on the Board so that the Board may, if the opportunity arises, appoint a candidate in the future without amending our Bylaws. Only a majority of the members on our Board of Directors may appoint a member to fill the vacancy under our Bylaws.

Although we know of no reason why any of the nominees would not be able to serve, if any nominee is unavailable for election, the proxies will vote your common stock to approve the election of any substitute nominee proposed by the Board of Directors. The Board may also choose to reduce the number of directors to be elected, as permitted by our Bylaws.

Nominees

All nominees, except for Mr. Lehman and Mr. Turner, are currently directors. Mr. Lehman and Mr. Turner have been nominated to begin serving on Sun's Board effective as of November 7, 2002. Each nominee has agreed to be named in this proxy statement and to serve if elected. Unless set forth below, each nominee has been engaged in his or her principal occupation for at least the past five years. The age indicated and other information in each nominee's biography is as of September 3, 2002.

Information About the Nominees

Scott G. McNealy (Age 47)

Chairman of the Board of Directors, President and Chief Executive Officer, Sun Microsystems, Inc.

Mr. McNealy is a Founder of Sun and has served as Chairman of the Board of Directors, President and Chief Executive Officer since July 2002, as Chairman of the Board of Directors and Chief Executive Officer from April 1999 to June 2002, as Chairman of the Board of Directors, President and Chief Executive Officer from December 1984 to April 1999, as President and Chief Operating Officer from February 1984 to December 1984 and as Vice President of Operations from February 1982 to February 1984. Mr. McNealy has served as a director of the Company since the incorporation of the Company in February 1982. He is also a director of General Electric Company.

James L. Barksdale (Age 59)

Chairman, The Barksdale Group, LLC

Mr. Barksdale has been Chairman of The Barksdale Group, LLC, a venture capital firm, since April 1999. He served as President and Chief Executive Officer of Netscape Communications Corporation, an Internet company, from January 1995 until March 1999, when Netscape was acquired by America Online, Inc. Mr. Barksdale is also a director of AOL Time Warner Inc. and Federal Express Corporation. He has been a director of Sun since 1999.

L. John Doerr (Age 51)

General Partner, Kleiner Perkins Caufield & Byers

Mr. Doerr has served as a General Partner of Kleiner Perkins Caufield & Byers, a venture capital firm, since August 1980. Mr. Doerr is also a director of Amazon.com, Inc., drugstore.com, inc., Handspring, Inc., Web MD Corporation, Homestore.com, Inc., and Intuit Inc. He has been a director of Sun since 1982.

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Judith L. Estrin (Age 47)
Chief Executive Officer, Packet Design, LLC

Ms. Estrin has served as Chief Executive Officer of Packet Design, LLC, a networking technology company, since May 2000. From April 1998 to April 2000, she served as Senior Vice President and Chief Technology Officer of Cisco Systems, Inc., an end-to-end network solutions company. She served as President and Chief Executive Officer of Precept Software, Inc., a multimedia networking software company, from March 1995 to April 1998. Ms. Estrin is also a director of Federal Express Corporation and The Walt Disney Company. She has been a director of Sun since 1995.

Robert J. Fisher (Age 48)
Director, The Gap, Inc.

Mr. Fisher has served as a director of The Gap, Inc., a clothing retailer, since November 1990. From April 1997 to November 1999, he served as President, Gap Division, The Gap, Inc. From November 1995 to April 1997, he served as Executive Vice President and Chief Operating Officer of The Gap, Inc. He has been a director of Sun since 1995.

Michael E. Lehman (Age 52)
Former Executive Vice President, Corporate Resources and Chief Financial Officer, Sun Microsystems, Inc.

Mr. Lehman served as Executive Vice President of Sun from July 2002 until his resignation from his employment position with Sun in September 2002. From July 2000 to July 2002, he served as Executive Vice President, Corporate Resources and Chief Financial Officer of the Company, and as Vice President, Corporate Resources and Chief Financial Officer of the Company from January 1998 to July 2000. He served as Vice President and Chief Financial Officer of the Company from February 1994 to January 1998. Mr. Lehman held various positions in the finance organization of the Company from August 1987 to February 1994. Mr. Lehman is also a director of MGIC Investment Corporation, Mercator Software, Inc. and NetIQ Corporation. Mr. Lehman has been nominated to begin serving on Sun's Board of Directors effective as of November 7, 2002.

Robert L. Long (Age 65)
Independent Management Consultant

Mr. Long retired as Senior Vice President, Eastman Kodak Company and has been an independent management consultant since January 1992. Mr. Long has been a director of Sun since 1988.

M. Kenneth Oshman (Age 62)
Chairman of the Board of Directors and Chief Executive Officer, Echelon Corporation

Mr. Oshman has served as Chairman of the Board of Directors (since September 1989) and Chief Executive Officer (since December 1988) of Echelon Corporation, a provider of control network technologies. Mr. Oshman served as President of Echelon from December 1988 to September 2001. Mr. Oshman is also a director of Knight-Ridder, Inc. He has been a director of Sun since 1988.

Naomi O. Seligman (Age 64)
Senior Partner, Ostriker von Simson, Inc.

Ms. Seligman has served as Senior Partner of Ostriker von Simson, Inc. (OvonS), an IT strategy exchange since June 1999. From 1977 to June 1999, Ms. Seligman was Co-Founder and Senior Partner of Research Board, Inc., an information technology research group. Ms. Seligman is also a director of Akamai Technologies, Inc., The Dun & Bradstreet Corporation and Martha Stewart Living Omnimedia. She has been a director of Sun since 1999.

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Lynn E. Turner (Age 50)

Professor of Accounting and Director of The Center for Quality Financial Reporting, Colorado State University

Mr. Turner has been a Professor of Accounting in the College of Business and Director of The Center for Quality Financial Reporting at Colorado State University since August 2001. From July 1998 to August 2001, Mr. Turner served as the Chief Accountant of the United States Securities and Exchange Commission. He served as Chief Financial Officer and Vice President of Symbios, Inc., an international semiconductor and storage manufacturer from June 1996 to June 1998. Mr. Turner has been nominated to begin serving on Sun's Board of Directors effective as of November 7, 2002.

About the Board and its committees

During fiscal 2002, our Board held 6 meetings. Each director attended at least 75% of the aggregate total number of Board meetings and committee meetings for committees on which such director served during fiscal 2002, except for James L. Barksdale, who attended 73% of the aggregate total number of Board meetings and Audit Committee meetings held during fiscal 2002. The Board has an Audit Committee, a Leadership Development and Compensation Committee and a Corporate Governance and Nominating Committee. The following table presents information about each committee as of September 3, 2002. All members of these committees are non-employee directors.

Audit Committee(1)(2)

Robert L. Long (Chairman), James L. Barksdale, Robert J. Fisher, Naomi O. Seligman
Met 5 times in fiscal 2002. The committee:

hires and replaces independent auditors as appropriate

evaluates performance of, independence of and the non-audit services provided by independent auditors

evaluates the quality of Sun's accounting principles and financial reporting

evaluates procedures relating to internal auditing functions and controls

Leadership Development and Compensation Committee(2)

L. John Doerr (Chairman), M. Kenneth Oshman
Met 4 times in fiscal 2002. The committee:

reviews and approves the executive compensation policies

administers the employee stock option and stock purchase plans

reviews executive and leadership development policies, plans and practices

advises the Board on executive successor planning

Corporate Governance and Nominating Committee(3)

M. Kenneth Oshman (Chairman), L. John Doerr, Naomi O. Seligman
Established July 2002. The committee:

reviews and approves nominees for service on the Board

considers nominees recommended by stockholders

adopts and reviews corporate governance policies and procedures

(1) The Board has adopted a written charter for the Audit Committee. Sun's securities are listed on The Nasdaq National Market and are governed by its listing standards. All the members of the Audit

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Committee meet the independence standards of Rule 4200(a)(14) of the National Association of Securities Dealers listing standards.

- (2) Judith L. Estrin resigned from the Audit Committee on June 23, 2002 in anticipation of a growing relationship between Packet Design and Sun, see Executive Compensation Certain transactions with officers and members of the Board. Robert J. Fisher resigned from the Leadership Development and Compensation Committee and was appointed to the Audit Committee on July 25, 2002.
- (3) Prior to July 25, 2002, Sun's Nominating Committee consisted of M. Kenneth Oshman (Chairman), L. John Doerr and Scott G. McNealy. All members of the Nominating Committee were non-employee directors, except for Mr. McNealy. The Nominating Committee met two times during fiscal 2002. If you want to recommend a nominee to Sun's Board of Directors at the 2003 annual meeting, you must deliver a written notice to the Secretary of Sun no earlier than July 2, 2003 and no later than August 1, 2003. Your notice must state: your name, business address and the number of Sun shares you own; the nominee's name, age, business address, principal occupation and the number of Sun shares the nominee owns; and all other information required for nominees pursuant to Regulation 14A of the Securities Exchange Act of 1934.

Director compensation

During fiscal 2002, non-employee directors were paid \$1,000 for each Board meeting attended, \$1,000 for each committee meeting attended and an additional \$1,000 per meeting attended where such non-employee director presided as Chairman. Mr. Fisher and Mr. Doerr declined payment. Employee directors do not receive any compensation for their service as a member of our Board of Directors.

Stock option plan for non-employee directors

Non-employee directors participate in our 1988 Directors' Stock Option Plan. Under the plan, each non-employee director who is a partner, officer or director of an entity having an equity investment in Sun is automatically granted a nonstatutory stock option to purchase 10,000 shares of common stock on the date he or she becomes a director. Each non-employee director who is not, on the date appointed to the Board, affiliated with an entity having an equity investment in Sun, is automatically granted a nonstatutory stock option to purchase 20,000 shares of common stock upon becoming a director. Thereafter, each director is automatically granted a nonstatutory stock option to purchase 10,000 shares of common stock on the date of each annual meeting of stockholders, if the director is re-elected and has served on the Board for at least six months. The number of options subject to an automatic grant under the plan is not adjusted for forward stock splits, stock dividends, a combination or reclassification or similar transaction that increases the number of shares of Sun common stock outstanding without receipt by Sun of consideration. Options have an exercise price equal to the closing price of Sun common stock on the annual meeting date as reported on The Nasdaq National Market. Options under the plan terminate after five years, vest at a rate of 25% per year and can only be exercised while the optionee is a director, or within six months after service terminates due to death or disability, or within ninety days after the optionee ceases to serve as a director for any other reason.

During fiscal 2002, each non-employee director was granted an option to purchase 10,000 shares of common stock, at an exercise price of \$12.59 per share. During fiscal 2002, the following non-employee directors exercised options for a net realized gain (based on the closing price of Sun's common stock on the dates of exercise as reported on The Nasdaq National Market) as follows:

Name	Date of Exercise	Options Exercised(#)	Exercise Price(\$)	Net Realized Gain(\$)
L. John Doerr	11/09/01	160,000	\$3.62	\$1,488,448
Robert J. Fisher	09/05/01	160,000	3.62	1,122,048
	01/15/02	160,000	3.97	1,369,792
Robert L. Long	08/13/01	25,000	3.62	318,820
	11/12/01	95,000	3.62	865,716
M. Kenneth Oshman	09/04/01	160,000	3.62	1,173,248

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Compensation committee interlocks and insider participation

In June 1996, Sun entered into a Limited Partnership Agreement (Agreement) with KPCB Java Associates L.P., a venture capital fund organized as a California limited partnership, as general partner (KPCB Java), and certain other limited partners (Partnership). Pursuant to the Agreement, Sun agreed to make capital contributions of \$16,000,000 to the Partnership and, in addition, pay an annual management fee of no more than \$320,000 to KPCB VIII Associates, L.P., a California limited partnership and a general partner of KPCB Java (KPCB VIII). The Partnership, KPCB Java and KPCB VIII are affiliates of Kleiner Perkins Caufield & Byers. Mr. Doerr, who is a General Partner of Kleiner Perkins Caufield & Byers, KPCB VIII and KPCB Java, is a Sun director and Chairman of our Leadership Development and Compensation Committee. From time to time, Sun may invest in a company in which Mr. Doerr, the Partnership or another venture capital fund affiliated with Kleiner Perkins Caufield & Byers is also an investor. In addition, Scott G. McNealy (Chairman of the Board, President and Chief Executive Officer), William N. Joy (Executive Vice President, Co-Founder and Chief Scientist) and Edward J. Zander, (former President and Chief Operating Officer), are limited partners in the Partnership.

Vote required

Directors must be elected by a plurality of the votes cast at the Annual Meeting. This means that the 10 nominees receiving the highest number of votes will be elected. Abstentions will have no effect on the election of directors. If you hold your shares through a broker, bank or other nominee and you do not instruct them how to vote on this proposal, your broker may have authority to vote your shares. You may give each nominee 1 vote for each share you hold; or you may cumulate your votes by giving 1 candidate a number of votes equal to the number of directors to be elected (10), multiplied by the number of shares you hold; or you may distribute your votes among as many candidates as you wish. However, you may not cast votes for more than 10 nominees. If you wish to cumulate your votes at the meeting, you must notify the Secretary of Sun of your intentions prior to the meeting.

Board recommendation

The Board of Directors recommends that you vote FOR each of management's nominees to the Board of Directors.

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The following table shows the number of shares of common stock beneficially owned as of September 3, 2002 by:

each nominee for director;

the executive officers named in the Summary Compensation Table; and

all directors and executive officers as a group.

Name	Number of Shares Owned(1) (a)	Right to Acquire(2) (b)	Total (a)+(b)	Percentage of Outstanding Shares(%)
Scott G. McNealy(3)	56,082,834	16,400,000	72,482,834	2%
Edward J. Zander(4)	236,918	6,656,666	6,893,584	*
James L. Barksdale	50,000	95,000	145,000	*
L. John Doerr	3,038,496	305,000	3,343,496	*
Judith L. Estrin	84,000	185,000	269,000	*
Robert J. Fisher	1,217,600	145,000	1,362,600	*
Masood A. Jabbar	752,474	1,759,000	2,511,474	*
Michael E. Lehman	102,484	1,602,666	1,705,150	*
Robert L. Long(5)	239,048	305,000	544,048	*
M. Kenneth Oshman	2,323,200	305,000	2,628,200	*
Naomi O. Seligman(6)	10,000	15,000	25,000	*
John C. Shoemaker	446,552	799,800	1,246,352	*
Lynn E. Turner				*
All current directors and executive officers as a group (27 persons)(3),(5),(6)	66,316,091	33,532,868	99,848,959	3%

* Less than 1%

(1) Excludes shares that may be acquired through stock option exercises.

(2) Shares that may be acquired through stock option exercises on or before November 2, 2002.

(3) Includes 5,804 shares held by Mr. McNealy's minor children and 81,983 shares held in Mr. McNealy's grantor retained annuity trust.

(4) Includes 40,000 shares held in Mr. Zander's grantor retained annuity trust.

(5) Includes 146,684 shares held in Mr. Long's grantor retained annuity trust, a grantor retained annuity trust held by Mr. Long's wife and a family limited partnership.

(6) Includes 10,000 shares held by Ms. Seligman's husband.

Security ownership of certain beneficial owners

As of September 3, 2002, based on our review of filings made with the SEC, we are not aware of any stockholders owning 5% or more of our common stock.

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The following table shows compensation information for Sun's Chief Executive Officer and the next four most highly compensated executive officers for the last three fiscal years.

Summary Compensation Table

	Fiscal Year	Annual Compensation			Other Annual Compensation (\$)	Long-term Compensation		
		Salary (\$)	Bonus (\$)	Restricted Stock Awards (\$)(2)		Awards	Payouts	
						Securities Underlying Options (#)	LTIP Payouts (\$)(3)	All Other Compensation (\$)(4)
Scott G. McNealy Chairman of the Board of Directors, President and Chief Executive Officer	2002	\$ 100,000	\$ 487,500	\$ 59,964(5)		3,500,200		\$ 4,000
	2001	100,000		16,294(5)		1,500,000	\$ 2,227,316	6,800
	2000	103,846	4,767,500			1,000,000		6,923
Edward J. Zander President and Chief Operating Officer(7)	2002	800,000	241,800	871(6)		200		6,800
	2001	788,462				500,000	614,415	6,800
	2000	778,846	2,145,375			400,000		6,800
Masood A. Jabbar Executive Vice President, Global Sales Operations(8)	2002	460,000	82,432	871(6)		300,200		6,800
	2001	451,923				150,000		7,650
	2000	434,615(1)	539,430(1)	1,131(6)		340,000		7,181
Michael E. Lehman Executive Vice President, Corporate Resources and Chief Financial Officer(7)	2002	600,000	122,850			200		6,800
	2001	600,000					573,442	6,800
	2000	623,077	1,144,200			1,100,000		6,800
John C. Shoemaker Executive Vice President, Computer Systems(7)	2002	440,000	225,280			200		5,923
	2001	432,685			\$ 1,114,759	150,000	656,599	1,006,090(9)
	2000	416,815	374,122			100,000		6,967

- (1) Mr. Jabbar elected to defer 30% of his fiscal year 2000 salary and 40% of his fiscal year 2000 bonus until retirement, as permitted under our Non-Qualified Deferred Compensation Plan. For a description of our Non-Qualified Deferred Compensation Plan, see Report of the Leadership Development and Compensation Committee of the Board on Executive Compensation Long-term incentives Deferred compensation plan.
- (2) All awards of restricted stock are valued by multiplying the number of shares granted by the closing price on the date of grant, minus any consideration paid by the named executive. On April 18, 2001, we granted Mr. Shoemaker the right to purchase 60,000 shares of Sun restricted common stock at a purchase price of \$.00067 per share and with a vesting rate of 50% per year beginning on the first anniversary of the date of grant. As of June 30, 2002, 2,698,400 shares of Sun's restricted common stock had been granted to the named executive officers, with an aggregate value of \$13,517,176, 130,000 shares of which are subject to vesting and have an aggregate value of \$651,212. The aggregate value is determined by multiplying the number of shares granted by the closing price of Sun's common stock as reported on The Nasdaq National Market on June 30, 2002, minus any consideration paid by the named executive officer. Sun's repurchase option, refers to Sun's option to repurchase sha