

SUN MICROSYSTEMS, INC.
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS CHARTER STATEMENT

On behalf of the Board, the Audit Committee's function is to oversee the Company's accounting and financial reporting processes and audits of the Company's financial statements. Primary responsibility for the Company's financial reporting lies with senior management, with oversight by the Board of Directors. The Audit Committee:

- maintains open lines of communication with the Company's Chief Financial Officer, the Head of Internal Audit, and the senior account representative of its External Auditor;
- is an informed and effective overseer of the Company's internal controls and disclosure controls and procedures for financial reporting purposes;
- has its duties and responsibilities set forth in a written charter;
- reports its activities to the full board on a regular basis; and
- complies with applicable law (including SEC and Nasdaq rules and requirements adopted pursuant to the Sarbanes-Oxley Act of 2002) (Applicable Law) for Audit Committees.

COMMITTEE STRUCTURE AND MEMBERSHIP

The Committee shall be comprised of three or more directors each of whom shall be independent as determined in accordance with Applicable Law. No member of the Committee may own or control 20% or more of the Company's voting securities, or such lower measurement as may be established by the SEC. All members of the Committee must be able to read and understand fundamental financial statements, including a Company's balance sheet, income statement and cash flow statement. Committee members shall not receive any compensation from the Company except as allowed under Applicable Law. The Committee shall generally maintain as a member at least one financial expert as determined in accordance with Applicable Law. The members of the Committee shall be elected by the Board upon the recommendation of the Nominating Committee. The Committee shall have the authority to engage independent legal counsel and other advisors, as it determines necessary to carry out its duties. The Company will provide appropriate funding, as determined by the Audit Committee, to pay the external auditors, any outside advisors hired by the Audit Committee, and any administrative expenses of the Audit Committee.

MEETINGS

The Audit Committee will meet on a regular basis and special meetings will be called as circumstances require. The Company's Chief Financial Officer, Controller, Internal Auditor and the External Auditor will normally be present at each meeting. During all face-to-face meetings, the Committee will hold executive sessions with the Company's Internal Auditor, External Auditor, Chief Financial Officer and Corporate Controller. On a semi-annual basis, the Committee shall meet in executive sessions with the Company's Chief Executive Officer. The Company's General Counsel or legal representative (and when appropriate, outside counsel retained to advise the Committee) will regularly attend the Committee's meetings to discuss legal matters which may impact the Company's financial position. Minutes of meetings will be taken including notations as to what executive sessions occur.

ROLES AND RESPONSIBILITIES

1. FINANCIAL REPORTING

The Audit Committee:

- a) Reviews the quarterly reporting process, annual financial statements, management certifications and External Auditor reports and attestations and ensures that:
 - (1) the External Auditor performs timely reviews;
 - (2) certifications, attestations, quarterly and annual financial statements as required by law are reviewed with the Audit Committee before filing with the SEC; and,
 - (3) the members of the Audit Committee have read the Company's periodic reports prior to filing with the SEC.
- b) On a quarterly basis :
 - (1) reviews the details of any fraud, whether or not material, that involves management or other employees who have a significant role in internal controls, including any items brought to the attention of the Committee by the Company's whistle-blower programs;
 - (2) reviews the report of the Chief Executive Officer and Chief Financial Officer regarding the Company's disclosure controls and procedures; and,
 - (3) discusses with management and the External Auditor the impact of any material weaknesses and/or significant deficiencies identified during their testing of internal controls, if any.
- c) Discusses earnings press releases and financial information and earnings guidance provided to analysts and rating agencies prior to their release;
- d) Obtains from management explanations of significant variances in the annual financial statements between years and determines whether the data are consistent with the Management's Discussion and Analysis (MD&A) section of the annual report, reviews with management the MD&A section of the Company's periodic reports, and asks the extent to which the External Auditor reviewed the MD&A section;
- e) Inquires about the existence and substance of any significant accounting accruals, reserves, contingencies, or estimates made by management that had a material impact on the financial statements;
- f) Inquires of the External Auditor as to the adequacy of the disclosure in the footnotes to the financial statements;
- g) Discusses with management and the External Auditor the substance of any significant issues raised to the Committee by in-house and outside counsel concerning litigation, contingencies, claims or assessments;
- h) Determines the open years on federal income tax returns and inquires as to whether there are any significant items that have been or might be disputed by the Internal Revenue Service, and inquires as to the status of the related tax reserves, accruals, contingencies and disclosure;
- i) Inquires of management and the External Auditor if there were any significant financial reporting issues discussed during the accounting period and if so how they were resolved; and,
- j) Requests an explanation from management and the External Auditor of changes in accounting standards or rules promulgated by the Financial Accounting Standards Board, SEC or other regulatory bodies, that have an effect on the financial statements.

2. INTERNAL AUDITOR

The Internal Auditor is ultimately responsible to the Board and the Audit Committee, and shall report to the Chief Financial Officer on a dotted line basis (for administrative matters) and the Audit Committee on a solid line basis (for corporate governance matters).

The Audit Committee:

- a) Selects, evaluates and replaces the Internal Auditor as appropriate;
- b) Oversees and periodically reviews all substantive services performed for the Internal Auditor by third-parties;
- c) Reviews summaries of all significant findings in Internal Auditor's reports as well as the resolution of such findings;
- d) Reviews annual internal audit plans and assesses the Internal Auditor's performance against the plan;
- e) Reviews the coordination between the External Audit plan and the Internal Audit plan;
- f) Meets privately with the Internal Auditor at regular meetings and on an as needed basis; and ,
- g) Reviews and approves the budget for the Internal Audit Department, including compensation for the Head of Internal Audit.

3. EXTERNAL AUDITORS

The Audit Committee shall be directly responsible for the appointment, compensation and oversight of the work of any independent registered public accounting firm responsible for providing an opinion on the Company's consolidated financial statements filed with the SEC (each an External Auditor). Each such External Auditor shall report directly to the Audit Committee. The Committee shall have the sole authority to hire, determine funding for, evaluate and fire the External Auditor.

The Audit Committee:

- a) Selects, replaces, annually evaluates performance and periodically assesses whether the Audit Committee should rotate the firm that serves as the External Auditor as appropriate;
- a) Reviews annual audit plans and audit scope;
- a) Obtains annually from the External Auditor a formal written statement delineating all relationships between the External Auditor and the Company; and actively engages in a dialogue with the External Auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the External Auditor,for purposes of taking, or recommending that the full Board take, appropriate action to oversee the independence of the External Auditor;
- a) Approves in advance all audit and non-audit services (including the fees and terms thereof) to be performed for the Company by the External Auditors. It is the general policy of the Audit Committee not to approve non-audit services. In considering whether to approve non-audit services,the Audit Committee will consider the following::
 - (1) whether the service is being performed principally for the Audit Committee;
 - (2) the effects of the service, if any, on audit effectiveness or on the quality and timeliness of the Company's financial reporting process;

- (3) whether the service would be performed by specialists (e.g. technology specialists) who ordinarily also provide recurring audit support;
- (4) whether the service would be performed by audit personnel and, if so, whether it will enhance their knowledge of the Company's business and operations;
- (5) whether the role of those performing the service would be inconsistent with the Auditor's role (e.g., a role where neutrality, impartiality and auditor skepticism are likely to be subverted);
- (6) whether the audit firm's personnel would be assuming a management role or creating a mutuality of interest with management;
- (7) whether the auditors, in effect, would be auditing their own numbers ;
- (8) whether the project must be started and completed very quickly;
- (9) whether the audit firm has unique expertise in the service; and,
- (10) the size of the fee(s) for the non-audit service(s).

The Committee may delegate this role to one or more designated members of the Committee, who shall report their activity to the Committee.

- e) Establishes rules and procedures that reasonably ensure that the External Auditor does not perform any of the following prohibited procedures:
 - (1) bookkeeping or other services related to the accounting records or financial statements;
 - (2) financial information systems design and implementation;
 - (3) appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
 - (4) actuarial services;
 - (5) internal audit outsourcing services;
 - (6) management functions or human resources;
 - (7) broker or dealer, investment adviser, or investment banking services;
 - (8) legal services and expert services unrelated to the audit; and,
 - (9) any other service that the Board determines is impermissible.
- f) Ascertains whether all audit and non-audit services provided by the External Auditor are disclosed in quarterly and annual financial reports;
- g) Sets clear hiring policies for employees or former employees of the External Auditor that are consistent with the Sarbanes-Oxley Act;
- h) Reviews the External Auditor's report on:
 - (1) the quality of accounting and disclosure and the accounting principles applied;

- (2) the reasonableness of judgments and estimates used in preparing the financial statements, including assumptions made and the completeness of the related disclosures;
 - (3) all critical accounting policies and practices used;
 - (4) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with Company management, ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the External Auditor;
 - (5) other material written communications between the External Auditor and the Company's management, including all management letters or comments;
 - (6) the schedule of adjusted and unadjusted differences; and,
 - (7) the effectiveness of the Company's internal controls in providing reasonable assurance that the financial statements and disclosures are fairly presented, comply with the legal and regulatory requirements, and provide timely detection of fraud.
- i) Reviews the letter of management representations given to the External Auditor and inquires whether any difficulties were encountered in obtaining the letter or any specific representations therein;
 - j) Meets privately with the External Auditor at face-to-face meetings and on an as needed basis;
 - k) Inquires of the External Auditor where they believe the greatest financial reporting and internal control risks to the Company are, how likely these risks are to occur, and if he/she believes anything else should be discussed with the Audit Committee that has not been raised or covered elsewhere;
 - l) Assures regular rotation of the lead audit partner of the External Auditor as required by the Sarbanes-Oxley Act;
 - m) Requests from the External Auditor the Public Company Accounting Oversight Board's (PCAOB) inspection reports on the External Auditor, or other regulatory reports as appropriate; and,
 - n) Resolves disagreements between management and the External Auditor regarding financial reporting, if any.

4. INTERNAL CONTROLS

The Audit Committee:

- a) Reviews the Company's codes of ethics and conduct for directors, officers and employees, approves all waivers of the code of ethics for directors and officers, and ensures timely disclosure of any such waivers by the Audit Committee;
- b) Requires management and the External Auditor to advise the Committee of significant deficiencies, material weaknesses and significant changes in internal controls and disclosure controls and procedures as well as any illegal acts unless the illegal act is clearly inconsequential;
- c) Reviews the Company's process for identifying fraud and makes recommendations for modifications to the process as it deems appropriate;
- d) Reviews, at least bi-annually, Sun's Treasury Policies and Standards of Business Conduct and makes such modifications and amendments to the policies as it deems appropriate;

- e) Determines whether the Company's Worldwide Accounting Policies have been periodically updated and kept current for changes in accounting and financial reporting standards and changes in the business;
- f) Discusses with the Internal Auditor and the External Auditor the Company's Information Technology procedures and controls and security programs to protect against computer fraud or misuse; and,
- g) Reviews management's report on internal controls and the External Auditor's attestation as required by Applicable Law.

5. OTHER COMMITTEE RESPONSIBILITIES

The Audit Committee:

- a) Reviews and approves all related-party transactions for which Audit Committee approval is required by Applicable Law or required to be disclosed in the Company's financial statements or SEC filings
- b) Instructs the External Auditor and the Internal Auditor that the Committee expects to be advised if there are any areas known to them that require special attention of the Audit Committee;
- c) Maintains a calendar of agenda items which reflects the Audit Committee responsibilities and processes specified in this Audit Committee Charter;
- d) Reviews the Audit Committee Charter at least once every year and has all proposed revisions approved by the Board of Directors;
- e) Self-assesses annually whether the Audit Committee has carried out the responsibilities defined in the Audit Committee Charter, including membership requirements, and takes any corrective action;
- f) On a bi-annual basis, reviews the skill-set of management and other personnel within the Company's finance organization responsible for preparing or aggregating financial data included in the Company's financial statements;
- g) Discloses in the Company's proxy statement:
 - (1) whether the Audit Committee satisfied its Audit Committee Charter responsibilities;
 - (2) the complete Audit Committee Charter, at least every three years, or when significant amendments occur;
 - (3) that the External Auditors have discussed judgments used in developing financial reports;
 - (4) that the Audit Committee has discussed the judgments in executive session; and,
 - (5) that the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for filing with the SEC.
- h) Establishes and maintains procedures for:
 - (1) the receipt, retention and treatment of complaints received by the Company regarding fraud, accounting, internal accounting controls, or auditing matters; and,
 - (2) the confidential, anonymous submission by employees regarding fraud or questionable accounting or

auditing matters.