

CRAY INC
Form 4

December 21, 2006

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

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

OMB APPROVAL

OMB
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(Print or Type Responses)

1. Name and Address of Reporting Person *
SILVERMAN JAN

(Last) (First) (Middle)

411 FIRST AVENUE S., SUITE 600

(Street)

SEATTLE, WA 98104

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading
Symbol
CRAY INC [CRAY]

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

12/19/2006

4. If Amendment, Date Original
Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to
Issuer

(Check all applicable)

____ Director ____ 10% Owner
☒ Officer (give title below) ____ Other (specify
below) below)

Senior Vice President

6. Individual or Joint/Group Filing(Check
Applicable Line)
☒ Form filed by One Reporting Person
____ Form filed by More than One Reporting
Person

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 | 12/19/2006 | | A | | 7,900 | A | 45,400 |
| | | | | | | | D |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**Persons who respond to the collection of
information contained in this form are not
required to respond unless the form
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SEC 1474
(9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)**

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| 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 Amount or Number of Shares |
| Stock Option (Right to Buy) | \$ 10.56 | 12/19/2006 | | A | 7,900 | 12/19/2007 ⁽²⁾ 12/19/2016 | Common 7,900 |

Reporting Owners

| Reporting Owner Name / Address | Relationships |
|--|----------------------------------|
| | Director 10% Owner Officer Other |
| SILVERMAN JAN 411 FIRST AVENUE S., SUITE 600 SEATTLE, WA 98104 | Senior Vice President |

Signatures

Jan C. Silverman by Kenneth W. Johnson,
Attorney-in-Fact

12/21/2006

__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).

(1) Restricted stock award will vest 50% on November 15, 2008 and the remaining 50% will vest in full on November 15, 2010.

(2) The option will vest 25% on December 19, 2007 and 1/36th monthly thereafter to vest in full on December 19, 2010.

(3) Incentive stock option.

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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