

CRAY INC  
Form 4  
December 21, 2006

**FORM 4** UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL

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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

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
WILLIAMS MARGARET ANN

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)  
411 FIRST AVENUE S., SUITE 600

3. Date of Earliest Transaction (Month/Day/Year)  
12/19/2006

\_\_\_\_ Director \_\_\_\_\_ 10% Owner  
 Officer (give title below) \_\_\_\_\_ Other (specify below)

SENIOR VICE PRESIDENT

(Street)  
SEATTLE, WA 98104

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

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

(City) (State) (Zip)

**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 Ownership (Instr. 4)
			Code	V Amount (D) Price			
Common Stock	12/19/2006		A	34,750 A 11	125,676 (2)	D	
Common Stock					50 (3)	I	By 401(k) plan

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

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SEC 1474 (9-02)

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

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)	Amount or Number of Shares
Stock Option [Right to Buy]	\$ 10.56	12/19/2006		A	25,350	12/19/2007 <sup>(4)</sup> 12/19/2016	Common	25,350
Stock Option [Right to Buy]	\$ 10.56	12/19/2006		A	9,400	12/19/2007 <sup>(4)</sup> 12/19/2016	Common	9,400

**Reporting Owners**

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
WILLIAMS MARGARET ANN 411 FIRST AVENUE S., SUITE 600 SEATTLE, WA 98104			SENIOR VICE PRESIDENT	

**Signatures**

Margaret Ann Williams 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, 2007 and the remaining 50% will vest in full on May 15, 2008.
- (2) Includes indicated shares acquired under issuer's Employee Stock Purchase Plan, exempt from reporting under Section 16(a) pursuant to Rule 16-a3(f)(1)(i)(B); 540 shares on 3/15/06; 523 shares on 6/15/06; 395 shares on 9/15/06 and 325 shares on 12/15/06.  
The reporting person acquired a total of 50 shares of Cray common stock under the Cray 401(k) plan through Company matching contributions of common stock in 2006. This transaction is exempt from the reporting requirements under Section 16(a) pursuant to Rule 16a-3(f)(1)(i)(B).
- (3) This option will vest 50% on December 19, 2007, and 1/36th monthly thereafter to vest in full on December 19, 2010.
- (5) Non-qualified stock option.

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**(6)** 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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