

Rackable Systems, Inc.
Form 4
July 12, 2007

FORM 4

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

OMB APPROVAL

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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 *
Sastri Gautham

(Last) (First) (Middle)
46600 LANDING PARKWAY
(Street)

FREMONT, CA 94538

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
Rackable Systems, Inc. [RACK]

3. Date of Earliest Transaction
(Month/Day/Year)
07/10/2007

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

___ Director ___ 10% Owner
X Officer (give title below) ___ Other (specify below)

EVP of RapidScale

6. Individual or Joint/Group Filing(Check Applicable Line)
X 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 Ownership (Instr. 4)		
				(A) or (D)	Code	V	Amount	(D)	Price

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

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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)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities Acquired (A) or	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Security (Instr. 3 and 4)
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(Instr. 3)	Price of Derivative Security	(Month/Day/Year)	(Instr. 8) Code	Disposed of (D)		Date Exercisable	Expiration Date	Title	Am Nu Sha
				(A)	(D)				
Employee Stock Option (right to buy)	\$ 16.83	07/10/2007	D		15,000	<u>(1)</u>	02/06/2017	Common Stock	1
Employee Stock Option (right to buy)	\$ 25.19	07/10/2007	D		125,000	<u>(2)</u>	09/08/2016	Common Stock	12
Restricted Stock Unit	\$ 0	07/11/2007	A	7,500		<u>(3)</u>	<u>(5)</u>	Common Stock	7
Restricted Stock Unit	\$ 0	07/11/2007	A	41,667		<u>(4)</u>	<u>(5)</u>	Common Stock	4

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Sastri Gautham 46600 LANDING PARKWAY FREMONT, CA 94538			EVP of RapidScale	

Signatures

/s/ William P. Garvey as Attorney-In-Fact for Gautham Sastri
 07/12/2007
 **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) The canceled option provided for vesting in monthly installments beginning March 6, 2007.
- (2) The canceled option provided for vesting at 25% following the first anniversary date with the remainder vesting in monthly installments from September 8, 2006.
- (3) 1/12th of the shares will vest quarterly beginning November 15, 2007.
- (4) 1/8th of the shares will vest quarterly beginning November 15, 2007.
- (5) Restricted Stock Unit has no Expiration Date.
- (6) On July 10, 2007, the issuer canceled, pursuant to the issuer's option exchange program, an option granted to the reporting person on February 6, 2007. In exchange for the option, the reporting person received 7,500 shares of restricted stock units.
- (7)

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On July 10, 2007, the issuer canceled, pursuant to the issuer's option exchange program, an option granted to the reporting person on September 8, 2006. In exchange for the option, the reporting person received 41,667 shares of restricted stock units.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.