

PETERS CHARLES E JR

Form 4

January 10, 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 *
PETERS CHARLES E JR

(Last) (First) (Middle)

C/O RED HAT, INC., 1801
VARSITY DRIVE

(Street)

RALEIGH, NC 27606

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading
Symbol

RED HAT INC [RHAT]

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

01/09/2006

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, Chief Financial Officer

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 Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price		
Common Stock	01/09/2006		M		60,000	A	\$ 12.26	96,750 <u>(2)</u>	D
Common Stock	01/09/2006		S		5,000	D	\$ 29.94	91,750 <u>(2)</u>	D
Common Stock	01/09/2006		S		10,000	D	\$ 29.86	81,750 <u>(2)</u>	D
Common Stock	01/09/2006		S		10,000	D	\$ 29.81	71,750 <u>(2)</u>	D
Common Stock	01/09/2006		S		5,000	D	\$ 29.73	66,750 <u>(2)</u>	D

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Common Stock	01/09/2006	S	10,000	D	\$ 29.65	56,750 ⁽²⁾	D
Common Stock	01/09/2006	S	5,000	D	\$ 29.57	51,750 ⁽²⁾	D
Common Stock	01/09/2006	S	15,000	D	\$ 29.5	36,750 ⁽²⁾	D

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

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(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 (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
Employee Stock Option NQSO (Right to Buy)	\$ 12.26	01/09/2006		M		60,000		<u>(1)</u>	08/31/2009	Common Stock	350,000

Reporting Owners

Reporting Owner Name / Address	Relationships
PETERS CHARLES E JR C/O RED HAT, INC. 1801 VARSITY DRIVE RALEIGH, NC 27606	Director 10% Owner Officer Other EVP, Chief Financial Officer

Signatures

Emily DelToro, Atty in Fact
UPOA 01/09/2006

**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) This option is exercisable 25% on August 31, 2005 and 6.25% on the first day of each subsequent three-month period following August 31, 2005.

(2) Includes 36,750 shares of restricted stock subject to repurchase by Red Hat, Inc. lapsing over four years (25% on the first anniversary date and 6.25% on the last day of each subsequent three-month period following the anniversary date).

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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