

PETERS CHARLES E JR  
Form 4  
January 10, 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 \*  
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  
 Officer (give title below) \_\_\_\_\_ Other (specify below)

EVP, Chief Financial Officer

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	01/09/2006		M	60,000 A \$ 12.26	96,750 <sup>(2)</sup>	D	
Common Stock	01/09/2006		S	5,000 D \$ 29.94	91,750 <sup>(2)</sup>	D	
Common Stock	01/09/2006		S	10,000 D \$ 29.86	81,750 <sup>(2)</sup>	D	
Common Stock	01/09/2006		S	10,000 D \$ 29.81	71,750 <sup>(2)</sup>	D	
Common Stock	01/09/2006		S	5,000 D \$ 29.73	66,750 <sup>(2)</sup>	D	

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Common Stock	01/09/2006	S	10,000	D	\$ 29.65	56,750 <sup>(2)</sup>	D
Common Stock	01/09/2006	S	5,000	D	\$ 29.57	51,750 <sup>(2)</sup>	D
Common Stock	01/09/2006	S	15,000	D	\$ 29.5	36,750 <sup>(2)</sup>	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 of Number of Shares
Employee Stock Option NQSO (Right to Buy)	\$ 12.26	01/09/2006		M	60,000	<sup>(1)</sup>	08/31/2009	Common Stock	350,000

## Reporting Owners

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

## Signatures

Emily DeToro, 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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