

PALADINO JERRY A
Form 4
February 01, 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 *
PALADINO JERRY A

(Last) (First) (Middle)

14100 SOUTHWEST FREEWAY,
SUITE 500

(Street)

SUGAR LAND, TX 77478

(City) (State) (Zip)

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

3. Date of Earliest Transaction
(Month/Day/Year)
01/30/2006

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) below)

Senior VP Worldwide Sales

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	(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	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)
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(Instr. 3)	Price of Derivative Security	(Month/Day/Year)	(Instr. 8)	Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		Date Exercisable	Expiration Date	Title	Amount or Number of Shares
			Code	V	(A)	(D)			
Employee Stock Option (Right to buy)	\$ 4.36	01/30/2006	D		60,000	<u>(1)</u>	10/20/2013	Common Stock	60,000
Employee Stock Option (Right to buy)	\$ 3.56	01/30/2006	D		32,064	<u>(1)</u>	05/10/2014	Common Stock	32,064
Employee Stock Option (Right to buy)	\$ 3.56	01/30/2006	D		7,936	<u>(1)</u>	05/10/2014	Common Stock	7,936
Employee Stock Option (Right to buy)	\$ 3.01	01/30/2006	D		12,500	<u>(1)</u>	05/26/2015	Common Stock	12,500
Employee Stock Option (Right to buy)	\$ 3.01	01/30/2006	D		7,500	<u>(1)</u>	05/26/2015	Common Stock	7,500

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
PALADINO JERRY A 14100 SOUTHWEST FREEWAY, SUITE 500 SUGAR LAND, TX 77478			Senior VP Worldwide Sales	

Signatures

Jerry A.
Paladino

01/31/2006

Date

Signature of
Reporting Person

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).

This option was canceled for a cash payment representing the difference between the exercise price of the option and the tender offer
(1) price of \$6.20 per share pursuant to the terms of that certain Agreement and Plan of Merger dated December 19, 2005 by and among
NEON Systems, Inc. Progress Software Corporation and Noble Acquisition Corp.

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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