

RED HAT INC  
Form DEF 14A  
June 25, 2010  
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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities**

**Exchange Act of 1934 (Amendment No.        )**

Filed by the Registrant:

Filed by a party other than the Registrant:

Check the appropriate box:

Preliminary Proxy Statement

Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

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Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under 240.14a-12

## **RED HAT, INC.**

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:



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June 25, 2010

Dear Red Hat Stockholders,

It is my pleasure to invite you to Red Hat's 2010 Annual Meeting of Stockholders. This year's meeting will be held on Thursday, August 12, 2010, at 9:00 a.m., at our corporate headquarters, 1801 Varsity Drive, Raleigh, North Carolina 27606. I hope you will be able to attend. You will find details regarding the meeting and the business to be conducted in the accompanying Notice of 2010 Annual Meeting of Stockholders and Proxy Statement.

This year we are pleased to again furnish our proxy materials via the Internet. Providing our materials to stockholders electronically allows us to leverage technology to conserve natural resources and reduce our printing and mailing costs related to the distribution of the proxy materials. As a result, we are mailing to stockholders a Notice of Internet Availability of Proxy Materials for the Stockholder Meeting which contains instructions on how to access those documents over the Internet. Stockholders who wish to receive paper copies of the proxy materials may do so by following the instructions on the Notice of Internet Availability of Proxy Materials.

Your vote is important to us. Whether or not you plan to attend the 2010 Annual Meeting, we hope you will vote as soon as possible. You may vote by telephone, over the Internet or, if you received paper copies of the proxy materials, by mail.

Thank you for your ongoing support of Red Hat.

Sincerely,  
James M. Whitehurst

*President and Chief Executive Officer*

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**RED HAT, INC.**

**1801 Varsity Drive**

**Raleigh, North Carolina 27606**

**NOTICE OF 2010 ANNUAL MEETING OF STOCKHOLDERS**

<b>TIME AND DATE</b>	9:00 a.m. on Thursday, August 12, 2010
<b>PLACE</b>	Red Hat's corporate headquarters located at 1801 Varsity Drive, Raleigh, North Carolina 27606
<b>ITEMS OF BUSINESS</b>	<ol style="list-style-type: none"><li>1. To elect two members to the Board of Directors, each to serve for a three-year term as a Class II director</li><li>2. To ratify the selection of PricewaterhouseCoopers LLP as Red Hat's independent registered public accounting firm for the fiscal year ending February 28, 2011</li><li>3. To transact such other business as may properly come before the 2010 Annual Meeting and any adjournments thereof</li></ol>
<b>ADJOURNMENTS AND POSTPONEMENTS</b>	Any action on the items of business described above may be considered at the 2010 Annual Meeting or at any time and date to which the 2010 Annual Meeting may be properly adjourned or postponed.
<b>RECORD DATE</b>	Stockholders of record at the close of business on June 16, 2010 are entitled to notice of, and to vote at, the 2010 Annual Meeting and at any adjournments or postponements thereof.
<b>INSPECTION OF LIST OF STOCKHOLDERS OF RECORD</b>	A list of stockholders of record will be available for inspection at our corporate headquarters located at 1801 Varsity Drive, Raleigh, North Carolina 27606, during ordinary business hours during the ten-day period before the 2010 Annual Meeting.
<b>VOTING</b>	Whether or not you plan to attend the 2010 Annual Meeting, we urge you to vote your shares via the toll-free telephone number or over the Internet as described in the proxy materials. If you received a copy of the proxy card by mail, you may sign, date and mail the proxy in the pre-paid envelope provided.

By Order of the Board of Directors  
Michael R. Cunningham

*Secretary*

Raleigh, North Carolina

June 25, 2010

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2010 ANNUAL MEETING TO BE HELD ON AUGUST 12, 2010: THIS PROXY STATEMENT, THE ACCOMPANYING PROXY CARD AND RED HAT'S ANNUAL REPORT TO STOCKHOLDERS ARE AVAILABLE AT [WWW.PROXYVOTING.COM/RHT](http://WWW.PROXYVOTING.COM/RHT)**

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FOR THE 2010 ANNUAL MEETING OF STOCKHOLDERS  
ON AUGUST 12, 2010**

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**PROXY STATEMENT**  
**FOR THE 2010 ANNUAL MEETING OF STOCKHOLDERS**  
**ON AUGUST 12, 2010**

**INTRODUCTION**

This Proxy Statement for Red Hat's 2010 Annual Meeting of Stockholders ( Proxy Statement ) is furnished in connection with a solicitation of proxies by the Board of Directors ( Board ) of Red Hat, Inc., to be used at our 2010 Annual Meeting of Stockholders ( Annual Meeting ) to be held at the corporate headquarters of Red Hat, Inc. at 1801 Varsity Drive, Raleigh, North Carolina 27606 on Thursday, August 12, 2010, at 9:00 a.m. local time, and at any adjournments or postponements thereof. This Proxy Statement and the accompanying materials (or a Notice of Internet Availability of Proxy Materials) are being mailed to stockholders on or about June 30, 2010.

When we use the terms Red Hat, the Company, we, us, and our, we mean Red Hat, Inc., a Delaware corporation.

**GENERAL INFORMATION CONCERNING THE ANNUAL MEETING**

**Why am I receiving these materials?**

We have made these proxy materials available to you over the Internet, or have delivered paper copies of these materials to you by mail, in connection with the solicitation of proxies for our Annual Meeting. These materials include information that we are required to provide to you under the rules of the U.S. Securities and Exchange Commission ( SEC ) and are designed to assist you in voting on the matters presented at the Annual Meeting. Stockholders of record as of the close of business on June 16, 2010 may attend the Annual Meeting and are entitled and requested to vote on the proposals described in this Proxy Statement.

**What is included in the proxy materials?**

The proxy materials include our Proxy Statement for the Annual Meeting, our 2010 Annual Report which includes our Annual Report on Form 10-K for the fiscal year ended February 28, 2010 ( Fiscal 2010 ) and, if you receive a paper copy of these materials, a proxy card or voting instruction card. If you received a Notice of Internet Availability of Proxy Materials, please see Why did I receive a Notice of Internet Availability of Proxy Materials instead of a paper copy of the proxy materials? below.

**Why did I receive a Notice of Internet Availability of Proxy Materials instead of a paper copy of the proxy materials?**

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You may receive a Notice of Internet Availability of Proxy Materials ( Notice of Internet Availability ) instead of a paper copy of the proxy materials. The Notice of Internet Availability describes how to access the proxy materials over the Internet and request paper copies of the materials via mail. We will begin mailing the Notices of Internet Availability on or about June 30, 2010 to stockholders who are eligible to vote at the Annual Meeting.

### **Who is eligible to vote at the Annual Meeting?**

If your Red Hat common stock is registered in your name in the records of our transfer agent, BNY Mellon Shareowner Services ( BNY Mellon ), as of the close of business on June 16, 2010, you are a stockholder of record for purposes of the Annual Meeting and are eligible to attend and vote. If you hold shares of our common stock indirectly through a broker, bank or similar institution, you are not a stockholder of record, but instead hold your shares in street name and the record owner of your shares is your broker, bank or similar institution. Instructions on how to vote shares held in street name are described under How do I vote my shares? below.

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**How many votes do I have?**

You will have one vote for each share of our common stock owned by you, as a stockholder of record or in street name, at the close of business on June 16, 2010.

**What am I being asked to vote on at the Annual Meeting?**

You are being asked to vote on:

**Item 1:** the election of two directors to our Board, each to serve a three-year term as a Class II director; and

**Item 2:** the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for our fiscal year ending February 28, 2011 ( Fiscal 2011 ).

**How does the Board recommend that I vote?**

The Board recommends that you vote:

**FOR** the election of the two nominees for director named in this Proxy Statement; and

**FOR** the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for Fiscal 2011.

**Other than the items listed in the Proxy Statement, what other business will be addressed at the Annual Meeting?**

We know of no other matters that may be properly presented at the meeting. However, by giving your proxy you appoint the persons named as proxies as your representatives at the Annual Meeting. If other matters are properly introduced at the Annual Meeting, the proxy holders are authorized to vote your shares in their discretion.

**How do I vote my shares?**

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*For stockholders of record:* If you are eligible to vote at the Annual Meeting and are a stockholder of record, you may submit your proxy or cast your vote in one of four ways:

**By Internet** If you have Internet access, you may submit your proxy by following the instructions provided in the Notice of Internet Availability, or if you requested printed proxy materials, by following the instructions provided with your proxy materials and on your proxy card.

**By Telephone** You can also submit your proxy by telephone by following the instructions provided in the Notice of Internet Availability, or if you requested printed proxy materials, by following the instructions provided with your proxy materials and on your proxy card.

**By Mail** If you received your proxy materials by mail, you may submit your proxy by completing the enclosed proxy card, signing and dating it and returning it in the pre-paid envelope we have provided.

**In Person at our Annual Meeting** You can vote in person at our Annual Meeting. You must present an acceptable form of identification, such as a driver's license, in order to gain admittance.

*For holders in street name:* If you hold your shares in street name and, therefore, are not a stockholder of record, you will need to follow the specific voting instructions provided to you by your broker, bank or other similar institution. If you wish to vote your shares in person at our Annual Meeting, you must obtain a valid proxy from your broker, bank or similar institution, granting you authorization to vote your shares. In order to attend and vote your shares held in street name at our Annual Meeting, you will need to hand in the valid proxy from your broker, bank or similar institution, along with a signed ballot that you can request at the meeting. You will not be able to vote these shares at the Annual Meeting without a valid proxy from your broker, bank or similar institution and a signed ballot.

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### **Can I change or revoke my proxy?**

*For stockholders of record:* Yes. A proxy may be changed or revoked at any time prior to the voting at the Annual Meeting by submitting a later-dated proxy (including a proxy via the Internet or by telephone) or by giving written notice to our President or Corporate Secretary. You may also attend the Annual Meeting and vote your shares in person.

*For holders in street name:* Yes. You must follow the specific voting instructions provided to you by your broker, bank or other similar institution to change or revoke any instructions you have already provided to them.

### **If I submit a proxy by Internet, telephone or mail, how will my shares be counted?**

If you submit your proxy by one of these methods, and you do not subsequently revoke your proxy, your shares of common stock will be voted in accordance with your instructions.

If you sign, date and return your proxy card but do not provide specific voting instructions, your shares of common stock will be voted FOR the election of the two nominees for director named in this Proxy Statement and FOR the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for Fiscal 2011. If any other matter properly comes before our Annual Meeting, the proxy holders will vote your shares in their discretion.

### **What is broker discretionary voting ?**

If you hold your shares in street name, your broker, bank or other similar institution may be able to vote your shares without your instructions depending on whether the matter being voted on is discretionary or non-discretionary. In the case of a discretionary matter (for example, the ratification of the independent registered public accounting firm), your broker is permitted to vote your shares of common stock if you have not given voting instructions. In the case of a non-discretionary matter (for example, the election of directors), your broker cannot vote your shares on these matters if you have not given voting instructions. A broker non-vote occurs when your broker submits a proxy for the Annual Meeting with respect to discretionary matters, but does not vote on non-discretionary matters because you did not provide voting instructions on these matters. Therefore, it is important that you provide specific voting instructions regarding election of directors to your broker, bank or similar institution.

### **I understand that a quorum is required in order to conduct business at the Annual Meeting. What constitutes a quorum?**

A majority of all of our outstanding shares of common stock entitled to vote at the Annual Meeting, in person or represented by proxy, constitutes a quorum at the Annual Meeting. As of June 16, 2010, the record date for the Annual Meeting, there were 188,750,156 shares of common stock outstanding and entitled to vote. If you submit a properly executed proxy by mail, telephone or the Internet, you will be considered a part of the quorum. In addition, abstentions and broker non-votes will be counted for purposes of establishing a quorum. If a quorum is not present, the Annual Meeting will be adjourned until a quorum is obtained.

**What is required to approve the proposals submitted to a vote at the Annual Meeting?**

At this Annual Meeting each director will be elected by the vote of the majority of the votes cast with respect to the director nominee. This means to elect the director nominee, the number of shares voted For the director nominee must exceed the number of shares voted Against the director nominee. Abstentions and broker non-votes will not be considered votes cast.

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The affirmative vote of the holders of a majority of the shares of common stock present or represented and voting is required to approve ratification of the selection of the independent registered public accounting firm and any other matters that properly come before the Annual Meeting. Abstentions will be considered to have been voted and will have the same effect as Against votes. Broker non-votes will not be considered to have been voted.

### **How can I obtain a proxy card or voting instruction form?**

If you lose, misplace or otherwise need to obtain a proxy card or a voting instruction form, please follow the applicable procedure below.

*For stockholders of record:* Please contact BNY Mellon at 1-888-313-0164.

*For holders in street name:* Please contact your account representative at your broker, bank or other similar institution.

### **Who counts the votes?**

Votes are counted by BNY Mellon, our transfer agent and registrar, and are then certified by a representative of BNY Mellon appointed by the Board to serve as our Inspector of Election.

### **How can I obtain directions to the Annual Meeting?**

You may contact Red Hat Investor Relations at 919-754-3700.

### **Who pays for the expenses of this proxy solicitation?**

Red Hat will bear the entire cost of this proxy solicitation, including the preparation, printing and mailing of our proxy materials and the proxy card. We may also reimburse brokerage firms and other persons representing stockholders who hold their shares in street name for reasonable expenses incurred by them in forwarding proxy materials to such stockholders. In addition, certain directors, officers and regular employees, without additional remuneration, may solicit proxies by personal interviews, telephone, facsimile, email and other methods of electronic communication.

**Where can I find vote results after the Annual Meeting?**

We are required to publish final vote results in a Current Report on Form 8-K to be filed with the SEC within four business days after our Annual Meeting.

**How can I obtain more information about Red Hat?**

Copies of this Proxy Statement and our Annual Report on Form 10-K are available online at [www.proxyvoting.com/rht](http://www.proxyvoting.com/rht) or at [www.redhat.com](http://www.redhat.com) under [Company](#) [Company Profile](#) [Investor Relations](#) [SEC Filings](#) and [Financial Information](#).



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**ITEM NO. 1 ELECTION OF DIRECTORS**

Our Board currently consists of nine directors divided into three classes. One class of directors is elected annually, and each class serves for a term of three years. The term of the Class II directors will expire at this Annual Meeting. The class makeup of the Board is as follows:

<b>Class</b>	<b>Directors</b>	<b>Term Expires</b>
I	Micheline Chau, Marye Anne Fox and Donald H. Livingstone	2012
II	Jeffrey J. Clarke, General H. Hugh Shelton (U.S. Army Retired) and Matthew J. Szulik	2010
III	Narendra K. Gupta, William S. Kaiser and James M. Whitehurst	2011

Matthew J. Szulik, our Chairman and a member of our Board since November 1999, is a Class II director. As previously announced, Mr. Szulik has resigned from the Board effective as of the date of the Annual Meeting and will not stand for re-election. The Board is currently in the process of identifying potential candidates to fill the vacancy created by Mr. Szulik's resignation. This vacancy may be filled by majority vote of the remaining directors.

**Criteria for Evaluating Candidates for Service on Our Board**

The Nominating and Corporate Governance Committee of our Board is responsible for identifying and evaluating candidates for service on our Board and recommending proposed director nominees to the full Board for consideration. Our Corporate Governance Guidelines describe the criteria used to select candidates for service on our Board:

Nominees should have a reputation for integrity, honesty and adherence to high ethical standards.

Nominees should have demonstrated business acumen, experience and ability to exercise sound judgment in matters that relate to the current and long-term objectives of the Company and should be willing and able to contribute positively to the decision-making process of the Company.

Nominees should have a commitment to understand the Company and its industry and to regularly attend and participate in meetings of the Board and its committees.

Nominees should have the interest and ability to understand the sometimes conflicting interests of the various constituencies of the Company, which include stockholders, employees, customers, governmental units, creditors and the general public, and to act in the interests of all stockholders.

Nominees should not have, nor appear to have, a conflict of interest that would impair the nominee's ability to represent the interests of all the Company's stockholders and to fulfill the responsibilities of a director.

Nominees shall not be discriminated against on the basis of race, religion, national origin, sex, sexual orientation, disability or any other basis proscribed by law. The value of diversity on the Board should be considered.

Nominees should normally be able to serve for at least five years before reaching the age of 75.

The Corporate Governance Guidelines state that the Nominating and Corporate Governance Committee's review of a nominee's qualifications will include consideration of diversity, age, skills and professional experience in the context of the needs of the Board. While the Company has no formal diversity policy that applies to the consideration of director candidates, the Nominating and Corporate Governance Committee believes that diversity includes not just race and gender but differences of viewpoint, experience, education, skill and other qualities or attributes that contribute to Board heterogeneity.

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In addition, the Nominating and Corporate Governance Committee believes it is important to select directors from various backgrounds and professions in an effort to ensure that the Board as a group has a broad range of experiences to enrich discussion and inform its decisions. Consistent with this philosophy, the Nominating and Corporate Governance Committee believes that each director should possess at least two of the following attributes:

*Senior Leadership Experience.* Nominees who have served in senior leadership positions provide special insight and guidance. We seek candidates who possess proven leadership qualities and the ability to identify and develop those qualities in others. They also bring a practical understanding of organizations, processes, strategy, risk management and the methods to drive change and growth.

*Public Company Board Experience.* Nominees who have served on other public company boards offer advice and insights with regard to the dynamics and operation of a board of directors, the relations of a board with senior management and oversight of a changing mix of strategic, operational and compliance-related matters.

*Financial Expertise.* Nominees who have knowledge of financial markets, financing and funding operations and accounting and financial reporting processes assist us in understanding, advising and overseeing our capital structure, financing and investing activities, financial reporting and internal controls.

*Industry Expertise.* Nominees with experience in the information technology industry help us to analyze our research and development efforts, competing technologies, the various products and processes that we develop and the market segments in which we compete.

*Technology and Education Expertise.* Nominees with backgrounds in technology and education support our efforts to provide technical educational services and spur innovation, investment in technology and development of new ideas.

*Global Expertise.* As a global organization with offices in over 65 countries, nominees with global expertise bring useful business and cultural perspectives that relate to many significant aspects of our business.

## **Nominees for Election to the Board of Directors**

The Board has nominated two Class II directors, Jeffrey J. Clarke and H. Hugh Shelton, for three-year terms ending in 2013. Each nominee indicated an intention to serve if elected and will hold office for his term and until a successor has been elected and qualified or until his earlier resignation or removal. In the event that any of the nominees should be unable or unwilling to serve, proxies may be voted for the election of some other person or for fixing the number of directors at a lesser number. Proxies cannot be voted for a greater number of persons than the number of nominees named.

Set forth below is a brief biography for each nominee and a description of the key attributes that the Board considered in recommending each nominee for re-election.

*Jeffrey J. Clarke, 48*

President and CEO of Travelport, Inc.

Director since November 2008

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Mr. Clarke has served as the President and CEO of Travelport, Inc. since April 2006 and as a member of its board of directors since May 2006. From April 2004 until April 2006, Mr. Clarke was the Chief Operating Officer of CA, Inc. (formerly Computer Associates), an information technology company, where he was responsible for sales, services, business development, partnership alliances and finance and information technology. From May 2002 through November 2003, Mr. Clarke was the Executive Vice President of Global Operations of Hewlett-Packard Company, an information technology company. Mr. Clarke currently serves as Chairman of the Board of Orbitz Worldwide Ltd. (NYSE:OWW), a global online travel company, and as a

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director of UTStarcom, Inc. (NASDAQ:UTSI), a provider of IP-based networking and telecommunications solutions. Mr. Clarke's experience as an executive at large global technology companies brings to our Board senior leadership experience and industry and global expertise.

*General H. Hugh Shelton, 68*

U.S. Army (Retired) and Former Chairman of the Joint Chiefs of Staff

Director since April 2003 and Lead Director since March 2008

General Shelton has served as the Director of the General H. Hugh Shelton Leadership Program at North Carolina State University since January 2002 in addition to serving as a board member and advisor to a number of entities. From January 2002 until April 2006, General Shelton served as the President, International Sales, for M.I.C. Industries, an international manufacturing company. General Shelton served as the 14th Chairman of the Joint Chiefs of Staff from October 1997 until his retirement in September 2001. He has served as a member of the board of directors of several public companies including vice chairman of the board of directors of Protective Products of America, Inc., a manufacturer of protective armor products, from 2006 until 2010; Anheuser-Busch Companies, an operator of beer, packaging and entertainment companies, from 2001 until 2009; CACI International Inc., a provider of professional services and IT solutions to defense, intelligence, homeland security and the federal civilian government, from 2007 until 2008; and Anteon International Corporation, a military subcontractor specializing in simulators, training of interrogators and IT and computer support to the federal government, from 2002 until 2006. General Shelton's leadership experience in the U.S. military and his service on the boards of other public companies brings to our Board senior leadership experience, public company board experience and global expertise.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE**

**FOR**

**THE ELECTION OF**

**JEFFREY J. CLARKE AND H. HUGH SHELTON**

**TO THE COMPANY'S BOARD OF DIRECTORS**

**Members of the Board Continuing to Serve**

The following directors will continue to serve on our Board. Set forth below is a brief biography for each such director and a description of the key attributes that each brings to our Board.

*Micheline Chau, 57*

President and Chief Operating Officer of Lucasfilm Ltd.

Director since November 2008

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Ms. Chau has served as President and Chief Operating Officer of Lucasfilm Ltd., a leading film and entertainment company, since April 2003. She is also a member of its board of directors. Prior to assuming her current role as President and Chief Operating Officer, Ms. Chau served as Lucasfilm's CFO from 1991 to April 2003. Before that, Ms. Chau was Chief Financial/Administrative Officer for Bell Atlantic Healthcare Systems and held other executive-level positions within several types of industries including retail, restaurant, venture capital and financial services. Ms. Chau currently sits on the boards of several private and non-profit entities. As President and Chief Operating Officer (and former CFO) of a technology-related company, Ms. Chau brings to our Board senior leadership experience and financial and technology expertise.

*Marye Anne Fox, 62*

Chancellor of the University of California, San Diego

Director since January 2002

Dr. Fox has served as the Chancellor of the University of California, San Diego since August 2004. Prior to that Dr. Fox served as the Chancellor of North Carolina State University from August 1998 until July 2004. Dr. Fox

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is an elected member of the National Academy of Sciences and serves on the board of directors of W.R. Grace & Co. (NYSE:GRA), a specialty chemicals and materials company, and Boston Scientific Corporation (NYSE:BSX), a developer, marketer and manufacturer of medical devices. Dr. Fox served as a director of Pharmaceutical Product Development, Inc., a biotechnology development services company, from 2002 until 2008. With her experience leading large educational institutions and acting as director of large public companies, Dr. Fox brings to our Board senior leadership and public company board experience as well as education expertise.

*Narendra K. Gupta, 61*

Managing Director of Nexus Venture Partners

Director since November 2005

Dr. Gupta co-founded and has served as Managing Director of Nexus Venture Partners, an India-focused venture capital fund, since December 2006. In 1980, Dr. Gupta co-founded Integrated Systems Inc., a provider of products for embedded software development, that went public in 1990. Dr. Gupta served as Integrated System's President and CEO from founding until 1994 and as Chairman until 2000 when Integrated Systems merged with Wind River Systems, Inc., a provider of device software optimization solutions. Dr. Gupta served as Wind River's interim President/CEO from June 2003 to January 2004 and as its Vice Chairman until its acquisition by Intel Corporation in 2009. Dr. Gupta sits on the board of directors of Tibco Software Inc. (NASDAQ:TIBX), a provider of service-oriented architecture and business process management enterprise software, and was on the board of Wind River from 2000 until 2009. He also serves as a board member and advisor to several privately held companies and foundations. As a current and former executive and board member of a number of technology related public companies and as an investor in global companies, Dr. Gupta provides our Board with public company board experience as well as industry and global expertise.

*William S. Kaiser, 54*

Managing Director, Greylock Management Corporation

Director since September 1998

Mr. Kaiser has been employed by Greylock Management Corporation, a venture capital firm, since May 1986 and has been one of the general partners of the Greylock Limited Partnerships since January 1988. Mr. Kaiser currently serves on the board of directors of several private organizations in addition to Constant Contact, Inc. (NASDAQ:CTCT), a provider of email marketing and online surveys for small organizations. Having a background in venture capital investment focusing on technology related entities, Mr. Kaiser brings to our Board financial, industry and technology expertise.

*Donald H. Livingstone, 67*

Teaching Professor, Brigham Young University, Marriott School of Business

Director since September 2009

Mr. Livingstone has been a teaching professor at Brigham Young University's Marriott School of Business (the Marriott School) since 1994. In addition to his teaching duties, Mr. Livingstone served as director of the Center for Entrepreneurship at the Marriott School from 1995 until

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2007. Mr. Livingstone took a leave of absence from the Marriott School from July 2007 until June 2009 to serve on a missionary assignment in Africa for his church. Prior to joining Brigham Young University, Mr. Livingstone had a 29-year career with Arthur Andersen LLP that included service as an audit partner in the San Francisco and Los Angeles offices. Mr. Livingstone served as a member of the board of directors of Micrel, Incorporated, an integrated circuit designer and manufacturer, from 2002 until 2007; Sento Corporation, a provider of integrated, multi-channel customer support, from 2004 until 2007; and Americanwest Bancorporation, a bank holding company, from 2005 until 2007. Mr. Livingstone's career in public accounting and as a professor, as well as his service as a director of a number of public companies, brings to our Board public company board experience and financial and education expertise.



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*James M. Whitehurst, 42*

President and CEO, Red Hat, Inc.

Director since January 2008

Mr. Whitehurst has served as the President and CEO of Red Hat and as a member of the Board since January 2008. Prior to joining Red Hat, Mr. Whitehurst served as the Chief Operating Officer of Delta Air Lines, Inc. from July 2005 to August 2007, as Senior Vice President and Chief Network and Planning Officer from May 2004 to July 2005 and as Senior Vice President Finance, Treasury & Business Development from January 2002 to May 2004. Delta filed for bankruptcy in September 2005. Prior to joining Delta, he was a partner and managing director at The Boston Consulting Group. Mr. Whitehurst also serves on the board of directors of DigitalGlobe, Inc. (NYSE:DGI), a builder and operator of satellites for digital imaging. Mr. Whitehurst's service as our CEO as well as his experience as a senior executive at a global corporation brings senior leadership experience and financial and global expertise to our Board.

**Table of Contents****ITEM NO. 2 RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board has selected PricewaterhouseCoopers LLP to serve as our independent registered public accounting firm for Fiscal 2011. During Fiscal 2010, PricewaterhouseCoopers LLP served as our independent registered public accounting firm and also provided certain tax and other audit related services as described below.

Although stockholder ratification of our independent registered public accounting firm is not required under Delaware law, our charter or our by-laws, the Company believes it is advisable to provide our stockholders with the opportunity to ratify this selection. If the stockholders do not ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for Fiscal 2011, the Audit Committee will consider whether to select a new independent registered public accounting firm for Fiscal 2011 or to wait until the completion of the audit for the fiscal year before considering a change in our independent registered public accounting firm.

Representatives of PricewaterhouseCoopers LLP are expected to attend our Annual Meeting, will have the opportunity to make a statement if so desired and will be available to respond to appropriate questions.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE****FOR****THE RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP****AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL 2011****Independent Registered Public Accounting Firm's Fees**

The following table summarizes the fees PricewaterhouseCoopers LLP billed to the Company for each of the last two fiscal years.

<b>Fee Category</b>	<b>Fiscal Year Ended February 28, 2010</b>	<b>Fiscal Year Ended February 28, 2009</b>
Audit Fees (1)	\$ 1,337,717	\$ 1,312,294
Audit-Related Fees (2)	\$ 0	\$ 248,589
Tax Fees (3)	\$ 29,803	\$ 32,839
All Other Fees (4)	\$ 45,258	\$ 1,500
<b>Total Fees</b>	<b>\$ 1,412,778</b>	<b>\$ 1,595,222</b>

(1)

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Audit Fees consist of fees for the audit of the Company's financial statements, the review of the interim financial statements included in the Company's quarterly reports on Form 10-Q and other professional services provided in connection with statutory and regulatory filings or engagements for those fiscal years.

- (2) Audit-Related Fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and which are not reported under Audit Fees. For the fiscal year ended February 28, 2009 (Fiscal 2009), fees for assistance with merger and acquisition activities comprise substantially all of the amount described.
- (3) Tax Fees consist of fees for tax compliance, tax advice and tax planning services. For Fiscal 2010, fees for advice relating to transfer pricing matters and non-U.S. subsidiary taxes comprise substantially all of the amounts described. For Fiscal 2009, fees for advice relating to transfer pricing matters, non-U.S. subsidiary taxes and tax credits comprise substantially all of the amounts described.
- (4) All Other Fees consist of fees for products and services provided by the independent registered public accounting firm other than for the services reported above in Audit Fees, Audit-Related Fees or Tax Fees.

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For Fiscal 2010, fees for conducting customer compliance audits and utilization of a research tool comprise substantially all of the amounts described. For Fiscal 2009, fees for utilization of a research tool comprise substantially all of the amounts described.

## **Pre-Approval Policies and Procedures**

The Audit Committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by our independent registered public accounting firm. This policy generally provides that we will not engage our independent registered public accounting firm to render audit or non-audit services unless the service is specifically approved in advance by the Audit Committee or the engagement is entered into pursuant to one of the pre-approval procedures described below.

From time to time, the Audit Committee may pre-approve specified types of services that are expected to be provided by our independent registered public accounting firm during the next 12 months. Any such pre-approval is detailed as to the particular service or type of services to be provided and is also generally subject to a maximum dollar amount.

The Audit Committee may delegate, and has delegated to the Chairman of the Audit Committee, the authority to approve any audit or non-audit services to be provided by our independent registered public accounting firm. The Audit Committee also may delegate this pre-approval authority to other individual members of the Audit Committee from time to time. Any approval of services by any member of the Audit Committee pursuant to this delegated authority, whether the Chairman or another member, is reported at the next meeting of the Audit Committee.

In Fiscal 2009 and Fiscal 2010, all audit and non-audit services provided by the independent registered public accounting firm were pre-approved by the Audit Committee directly or pursuant to this delegated authority.

**Table of Contents****BENEFICIAL OWNERSHIP OF OUR COMMON STOCK**

The tables below set forth, as of May 28, 2010 (unless otherwise indicated), certain information regarding beneficial ownership of our common stock. We determine beneficial ownership of our common stock in accordance with the rules of the SEC. Under these rules, beneficial ownership includes any shares as to which the individual or entity has sole or shared voting power or investment power and includes any shares of common stock which the individual has the right to acquire on or before July 27, 2010 through the exercise of options or through the conversion of deferred stock units ( DSUs ). DSUs are described in more detail below in the section entitled Corporate Governance and Board of Directors Information Compensation of Directors. Any reference in the footnotes to this table to shares subject to options or DSUs refers only to shares of common stock underlying options which vest on or before July 27, 2010 and DSUs that are convertible into shares of common stock on or before July 27, 2010. As of May 28, 2010, we had 188,198,286 shares of common stock outstanding. For purposes of computing the percentage and amount of outstanding shares of common stock held by each individual or entity, any shares which that individual or entity has the right to acquire on or before July 27, 2010 are deemed to be outstanding for the individual or entity but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other individual, entity or group.

**Ownership by Our Directors and Executive Officers**

The following table includes information regarding the amount of our common stock beneficially owned by our directors, director nominees and our executive officers identified as Named Officers in the section below entitled Compensation and Other Information Concerning Executive Officers Current Executive Officers and all of our directors and Named Officers as a group, as of May 28, 2010.

<b>Name and Address of Beneficial Owner (1)</b>	<b>Title(s)</b>	<b>Amount and Nature of Beneficial Ownership (2)</b>	<b>Percent of Common Stock Outstanding</b>
Matthew J. Szulik (3)	Class II Director and Chairman of the Board	2,380,099	1.25%
James M. Whitehurst (4)	Class III Director and President and Chief Executive Officer	595,414	*
William S. Kaiser (5)	Class III Director	385,638	*
Paul J. Cormier (6)	Executive Vice President and President, Products and Technologies	318,986	*
Charles E. Peters, Jr. (7)	Executive Vice President and Chief Financial Officer	275,542	*
Michael R. Cunningham (8)	Executive Vice President, General Counsel and Secretary	147,316	*
Marye Anne Fox (9)	Class I Director	103,734	*
Alex Pinchev (10)	Executive Vice President and President, Global Sales, Services and Field Marketing	80,106	*
Narendra K. Gupta (11)	Class III Director	69,785	*

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<b>Name and Address of Beneficial Owner (1)</b>	<b>Title(s)</b>	<b>Amount and Nature of Beneficial Ownership (2)</b>	<b>Percent of Common Stock Outstanding</b>
H. Hugh Shelton (12)	Lead Director and Class II Director	65,582	*
Jeffrey J. Clarke (13)	Class II Director	30,660	*
Micheline Chau (14)	Class I Director	25,635	*
Donald H. Livingstone (15)	Class I Director	10,478	*
All executive officers and directors as a group (13 persons) (16)		4,488,975	2.35%

\*Less than one percent of the outstanding common stock.

- (1) The address for each beneficial owner is c/o Red Hat, Inc., 1801 Varsity Drive, Raleigh, North Carolina 27606.
- (2) The persons named in the table have sole voting and investment power (or share such power with his or her spouse) with respect to all shares shown as beneficially owned by them, except as noted in the footnotes below and subject to community property laws, if applicable. The inclusion in this table of any shares of common stock does not constitute an admission of direct or indirect beneficial ownership of those shares.
- (3) Consists of (i) 145,884 shares of common stock, (ii) 2,152,027 shares of common stock issuable upon exercise of stock options and (iii) 82,188 shares of restricted stock vesting over four years from the date of grant.
- (4) Consists of (i) 91,560 shares of common stock, (ii) 250,000 shares of common stock issuable upon exercise of stock options, (iii) 208,854 shares of restricted stock vesting over four years from the date of grant and (iv) 45,000 shares of performance-based restricted stock vesting over four years from the date of grant.
- (5) Consists of (i) 260,834 shares of common stock, (ii) 47,500 shares of common stock issuable upon exercise of stock options, (iii) 7,190 shares of common stock issuable upon conversion of DSUs and (iv) 70,114 shares of common stock held of record by Greylock X GP Limited Partnership and Greylock X-A Limited Partnership (the Greylock Partnerships). Mr. Kaiser, a general partner of the Greylock Partnerships, disclaims beneficial ownership of shares held by the Greylock Partnerships except as to his proportionate partnership interest in these partnerships.
- (6) Consists of (i) 165,366 shares of common stock, (ii) 76,562 shares of common stock issuable upon exercise of stock options, (iii) 50,392 shares of restricted stock vesting over four years from the date of grant and (iv) 26,666 shares of performance-based restricted stock vesting over four years from the date of grant.
- (7) Consists of (i) 41,744 shares of common stock, (ii) 154,062 shares of common stock issuable upon exercise of stock options, (iii) 63,070 shares of restricted stock vesting over four years from the date of grant and (iv) 16,666 shares of performance-based restricted stock vesting over four years from the date of grant.
- (8) Consists of (i) 28,126 shares of common stock, (ii) 56,507 shares of common stock issuable upon exercise of stock options, (iii) 46,017 shares of restricted stock vesting over four years from the date of grant and (iv) 16,666 shares of performance-based restricted stock vesting over four years from the date of grant.
- (9) Consists of (i) 9,495 shares of common stock, (ii) 75,000 shares of common stock issuable upon exercise of stock options, (iii) 7,190 shares of restricted stock vesting one year from the date of grant and (iv) 12,049 shares of common stock issuable upon conversion of DSUs.
- (10) Consists of (i) 4,688 shares of common stock issuable upon exercise of stock options, (ii) 48,752 shares of restricted stock vesting over four years from the date of grant and (iii) 26,666 shares of performance-based restricted stock vesting over four years from the date of grant.
- (11) Consists of (i) 2,095 shares of common stock, (ii) 50,000 shares of common stock issuable upon exercise of stock options and (iii) 17,690 shares of common stock issuable upon conversion of DSUs.
- (12) Consists of (i) 18,867 shares of common stock, (ii) 39,525 shares of common stock issuable upon exercise of stock options and (iii) 7,190 shares of restricted stock vesting one year from the date of grant.
- (13) Consists of (i) 6,747 shares of common stock, (ii) 13,495 shares of restricted stock vesting over three years from the date of grant and (iii) 10,418 shares of common stock issuable upon conversion of DSUs.

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- (14) Consists of (i) 6,747 shares of common stock, (ii) 13,495 shares of restricted stock vesting over three years from the date of grant and (iii) 5,393 shares of common stock issuable upon conversion of DSUs.
- (15) Consists of 10,478 shares of restricted stock vesting over three years from the date of grant.
- (16) Consists of (i) 847,579 shares of common stock, (ii) 2,905,871 shares of common stock issuable upon exercise of stock options (iii) 551,121 shares of restricted stock vesting over either one year, three years or four years from the date of grant, (iv) 131,664 shares of performance-based restricted stock vesting over four years from the date of grant and (iv) 52,740 shares of common stock issuable upon conversion of DSUs.

**Ownership of More than 5% of Our Common Stock**

The following table sets forth information on each person or entity who, we believe based on our review of public filings by such persons or entities, beneficially owns more than 5% of our common stock as of May 28, 2010.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Common Stock Outstanding (1)
FMR LLC (2) 82 Devonshire Street Boston, MA 02109	28,275,488	15.02%
T. Rowe Price Associates, Inc. (3) 100 East Pratt Street Baltimore, MD 21202	16,884,104	8.97%
Wellington Management Company, LLP (4) 75 State Street Boston, MA 02109	10,602,406	5.63%
BlackRock Inc. (5) 40 East 52nd Street New York, NY 10022	10,346,544	5.50%

(1) Percentages are calculated based on our common stock outstanding as of May 28, 2010.

(2) Based on a Schedule 13G/A filed with the SEC on February 16, 2010 by FMR LLC, FMR LLC and subsidiaries report sole power to vote or direct the vote over 243,972 shares and sole power to dispose or direct the disposition of 28,275,488 shares.

(3) Based on a Schedule 13G/A filed with the SEC on February 12, 2010 by T. Rowe Price Associates, Inc. ( Price Associates ) reporting sole power to vote or direct the vote over 4,944,960 shares and sole power to dispose or direct the disposition of 16,884,104 shares. Price Associates reports that these securities are owned by various individual and institutional investors for which Price Associates serves as investment advisor with the power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, as amended, (the Exchange Act ), Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.

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- (4) Based on a Schedule 13G/A filed with the SEC on February 12, 2010 by Wellington Management Company, LLP reporting shared power to vote or direct the vote over 8,732,382 shares and shared power to dispose or direct the disposition of 10,534,006 shares.
- (5) Based on a Schedule 13G filed with the SEC on January 29, 2010 by BlackRock, Inc. reporting sole power to vote or direct the vote over 10,346,544 shares and sole power to dispose or direct the disposition of 10,346,544 shares.



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**CORPORATE GOVERNANCE AND BOARD OF DIRECTORS INFORMATION**

Our Board believes that good corporate governance is an important element in managing Red Hat for the longer-term benefit of stockholders. Regular review and assessment of existing governance practices is an ongoing process for our Board. This section describes a number of our key corporate governance policies and practices. Copies of our current corporate governance documents and policies, including our Corporate Governance Guidelines, Code of Business Conduct and Ethics and committee charters, are available at [www.redhat.com](http://www.redhat.com).

**Key Governance Policies**

*Code of Business Conduct and Ethics*

The Board has adopted a written Code of Business Conduct and Ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer and our principal accounting officer or controller, or anyone performing similar functions. We have posted our Code of Business Conduct and Ethics on our website, [www.redhat.com](http://www.redhat.com). In addition, we intend to post on our website all disclosures that are required by law or by NYSE listing standards with respect to amendments to, or waivers from, any provision of the Code of Business Conduct and Ethics.

*Corporate Governance Guidelines*

The Board has adopted written Corporate Governance Guidelines which provide a framework for the conduct of the Board's business. Highlights of our Corporate Governance Guidelines include, among other things, that:

the principal responsibility of the directors is to oversee the management of the Company;

a majority of the members of the Board must be independent directors;

the independent directors are to meet regularly in executive session;

the non-management directors are to meet regularly in executive session;

directors have full and free access to management and, as necessary and appropriate, independent advisors;

new directors participate in an orientation program and all directors are expected to participate in continuing director education on an ongoing basis; and

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at least annually the Board and its committees will conduct a self-evaluation to determine whether they are functioning effectively.

In April 2010 the Corporate Governance Guidelines were amended to add a director resignation policy in connection with the Company's adoption of a majority voting standard in uncontested director elections.

### *Related Person Transactions*

We have a written Related Person Transaction Policy that provides for the review of transactions, arrangements or relationships between related persons and Red Hat. A related person is defined under SEC regulations to include our directors, director nominees, executive officers and 5% stockholders (or their immediate family members). Related person transactions are transactions, arrangements or relationships in which Red Hat is a participant, the amount involved exceeds \$120,000, and a related person (as defined above) has a direct or indirect material interest.

Related persons must notify our General Counsel of any proposed transaction with us. The General Counsel will then refer the proposed related person transaction to our Audit Committee for review and approval prior to entry into the transaction, whenever practicable. If advance review and approval is not practicable, the Audit Committee will review, and in its discretion, may ratify the related person transaction at its next regularly scheduled meeting.

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The Audit Committee will consider the proposed transaction at its next regularly scheduled meeting. The Chairman of the Audit Committee may also review and approve transactions between meetings subject to ratification by the Audit Committee at its next regularly scheduled meeting. Transactions which are ongoing will be reviewed annually.

In reviewing the proposed transactions, the Committee will take into account those factors it considers appropriate, which may include the following:

the related person's interest in the related person transaction;

the approximate dollar value of the amount involved in the related person transaction;

the approximate dollar value of the amount of the related person's interest in the transaction without regard to the amount of any profit or loss;

whether the transaction was undertaken in the ordinary course of business of the Company;

whether the terms of the transaction are, in the aggregate, no less favorable to the Company than terms that could have been reached with an unrelated third party;

the purpose of, and the potential benefits to the Company of, the transaction; and

any other information regarding the related person transaction or the related person in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transaction.

The Audit Committee may approve or ratify the transaction only if it determines that, in light of all of the circumstances, the transaction is in, or is not inconsistent with, the Company's best interests. The Audit Committee may impose any conditions on the related person transaction that it deems appropriate. The Related Person Transaction Policy provides that transactions involving compensation of executive officers will be reviewed and approved by the Compensation Committee of the Board in accordance with its charter.

In 2010, the Audit Committee reviewed and ratified the following transactions:

FMR LLC beneficially owns 28,275,488 shares (or approximately 15.02%) of our outstanding common stock based on its holdings reported in a Schedule 13G/A filed with the SEC on February 16, 2010. During Fiscal 2010, we paid an affiliate of FMR LLC approximately \$56,000 to provide 401(k) plan administration and other services to us. Affiliates of FMR LLC purchased approximately \$342,000 in goods and services from us during Fiscal 2010. We believe that the transactions described above were carried out on terms that were in the aggregate no less favorable to us than those that would have been obtained from an unrelated third party in transactions of similar size. In addition to the payments described above, fees were paid to one or more affiliates of FMR LLC by participants in our equity compensation and 401(k) plans in the form of commissions and brokerage fees generated on various transactions.

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BlackRock, Inc. beneficially owns 10,346,544 shares (or approximately 5.50%) of our outstanding common stock based on its holdings reported in a Schedule 13G filed with the SEC on January 29, 2010. During Fiscal 2010, affiliates of BlackRock, Inc. purchased approximately \$955,000 in goods and services from us. We believe that the transactions described above were carried out on terms that were in the aggregate no less favorable to us than those that would have been obtained from an unrelated third party in transactions of similar size.

### **Board Independence**

Our Board is composed of at least a majority of directors who are considered independent. As described below, the Board has determined that seven of our nine current directors are independent directors. Dr. Steven Albrecht who, as previously announced, resigned from our Board effective June 30, 2009, was also determined to be

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independent. For a director to be considered independent under the NYSE rules, the Board must determine that a director does not have a direct or indirect material relationship with Red Hat (other than as a director) that would interfere with the director's exercise of independent judgment in carrying out his or her responsibilities. Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, among others. The Board makes independence determinations on a case-by-case basis in light of all relevant facts and circumstances.

The Board makes its independence determination on an annual basis at the time it approves director nominees for inclusion in the annual Proxy Statement and, if a director joins the Board in the interim, at such time. On an annual basis we require each member of our Board to complete an independence questionnaire designed to provide information to assist the Board in determining whether the director is independent under the NYSE rules and our Corporate Governance Guidelines. In making the independence determinations in connection with the preparation of this Proxy Statement, the following relationships were considered:

Mr. Clarke is the President and CEO of Travelport, Inc., the parent company of the Travelport group of companies that offer broad-based services to businesses operating in the global travel industry. Travelport, Inc. and its subsidiaries have purchased goods and services from us in the amount of approximately \$1,300,000 during Fiscal 2010. The transactions were conducted in the ordinary course of business on customary commercial terms and represented less than 2% of the revenues of each company in its most recently completed fiscal year.

General Shelton is a consultant to, and sits on the Board of Advisors of, Northrop Grumman Corporation. Northrop Grumman and its subsidiaries, directly and through our channel partners have purchased goods and services from us in the amount of approximately \$2,200,000 during Fiscal 2010. The transactions were conducted in the ordinary course of business on customary commercial terms and represented less than 2% of the revenues of each company in its most recently completed fiscal year.

Dr. Gupta's brother is Chief Risk Officer and President, Risk, Information Management & Banking Group of American Express Company. American Express Company has purchased goods and services from us in the amount of approximately \$1,470,000 during Fiscal 2010. We paid an affiliate of American Express Company approximately \$460,000 for travel related services during Fiscal 2010. The transactions were conducted in the ordinary course of business on customary commercial terms and represented less than 2% of the revenues of each company in its most recently completed fiscal year.

After considering relationships between the directors and Red Hat, the Board affirmatively determined that all of the following directors meet the criteria as outlined by the NYSE and in the judgment of our Board are independent: Ms. Chau, Mr. Clarke, Dr. Fox, Dr. Gupta, Mr. Kaiser, Mr. Livingstone and General Shelton. Mr. Szulik, who resigned as our President and CEO effective as of January 1, 2008, and Mr. Whitehurst, who is our current President and CEO, are not considered independent. Mr. Szulik is considered a non-management director.

## **Key Board Practices**

### *Board Meetings and Attendance*

The Board met eleven times during Fiscal 2010, either in person or by teleconference. As stated in our Corporate Governance Guidelines, directors are responsible for attending all meetings of the Board, the Board committees on which they sit and the Annual Meeting. During Fiscal 2010, all members of our Board attended at least 75% of the aggregate of the meetings of the Board and the committees on which they served. Eight members of our Board attended our 2009 Annual Meeting of Stockholders.

*Executive Sessions*

Our non-management and our independent directors meet in separate regularly scheduled executive sessions, without management. The Lead Director chairs these sessions.

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### *Mandatory Retirement of Directors*

Under our Corporate Governance Guidelines, any director who reaches the age of 75 while serving as a director will retire from the Board at the end of his or her term.

### *Stock Ownership Policy*

In 2006, the Compensation Committee approved a Stock Ownership Policy for executive officers and independent directors. The Stock Ownership Policy stated that within three years of the date the policy became effective, or within three years after becoming a director, independent directors will be subject to a stock ownership requirement of at least 5,000 shares of common stock. As of the end of Fiscal 2010, each independent director had met the requirements of the Stock Ownership Policy. In November 2009 the Compensation Committee revised the Stock Ownership Policy to, among other things, increase the stock ownership level for directors to at least 10,000 shares of common stock, effective March 1, 2010. Our Stock Ownership Policy as it relates to our directors is further described below in the section entitled Compensation of Directors Director Stock Ownership Requirements. Our Stock Ownership Policy as it relates to our executive officers is further described below in the section entitled Compensation and Other Information Concerning Executive Officers Compensation Discussion and Analysis Stock Ownership Requirements.

### **Majority Voting**

Our by-laws were amended in April 2010 to provide that in an uncontested election of directors, a nominee will be elected to the Board if the votes cast for that nominee exceed the number of votes cast against that nominee. In a contested election, nominees will be elected by a plurality of votes cast.

### **Risk Oversight**

Management is responsible for the day-to-day management of the risks we face and our Board has responsibility for the oversight of risk management. The Board and its committees regularly receive information and reports from members of senior management on areas of material risk, including financial, legal, reputational and strategic risks. In addition, the Board regularly discusses our strategic direction and the risks and opportunities facing our company in light of trends and developments in the software industry and general business environment.

The committees of our Board have responsibility for the oversight of certain risks. The Audit Committee oversees the management of financial and legal risks. The Compensation Committee oversees the management of risks relating to our compensation plans and arrangements. The Nominating and Corporate Governance Committee oversees the management of risks relating to executive succession planning and the composition of our Board.

### **Leadership Structure**

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Currently, the roles of Chairman of the Board of Directors and Chief Executive Officer are held by two different individuals. We believe this structure represents an appropriate allocation of roles and responsibilities for the Company at this time. This arrangement allows our Chairman to lead the Board in its fundamental role of providing independent advice to and oversight of management and our CEO to focus on our day-to-day business and strategy and convey the management perspective to other directors.

Our Board has created a Lead Director position. The Lead Director is nominated by the Nominating and Corporate Governance Committee and is approved by a majority of the independent directors. Unless the Board determines that there are special circumstances, an individual will serve as Lead Director for no more than three consecutive years. Responsibilities of the Lead Director include:

chairing any meeting of the non-management and independent directors in executive session;



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meeting with any director who is not adequately performing his or her duties as a member of the Board or any committee;

facilitating communications between other members of the Board and the Chairman of the Board and the CEO (however, each director is free to communicate directly with the Chairman and with the CEO);

working with the Chairman of the Board in the preparation of the agenda for each Board meeting and in determining the need for special meetings of the Board and

consulting with the Chairman of the Board and the CEO on matters relating to corporate governance and Board performance.

Our Board also has three standing committees that currently consist of and are chaired by independent directors. Our Board delegates substantial responsibilities to the committees, which then report their activities and actions back to the full Board. We believe that the independent committees of our Board and their chairpersons promote a diversity of ideas and more effective governance.

## **Process for Nominating Candidates for Service on Our Board**

The Nominating and Corporate Governance Committee is responsible for identifying and evaluating candidates and recommending proposed director nominees to the Board. The Nominating and Corporate Governance Committee will consider candidates proposed or suggested by other members of the Board, members of executive management, third-party search firms retained by the Nominating and Corporate Governance Committee and stockholders.

Our standards for evaluating candidates as director nominees are further described above in the section entitled Item No. 1 Election of Directors.

Stockholders who wish to recommend individuals to the Nominating and Corporate Governance Committee for consideration as potential director candidates may do so by submitting candidate names, together with appropriate biographical information and background materials and whether the stockholder or group of stockholders making the recommendation beneficially owned more than 5% of our common stock for at least one year as of the date the recommendation is made, to the Nominating and Corporate Governance Committee, c/o Corporate Secretary, Red Hat, Inc., 1801 Varsity Drive, Raleigh, North Carolina 27606. Assuming the appropriate biographical and background material have been provided on a timely basis, the Committee will evaluate any such stockholder-recommended candidates by following the same process, and applying the same criteria, as it follows for candidates submitted by others.

## **Communicating with Directors**

Stockholders and other interested parties who wish to communicate with our Lead Director or non-management members of the Board as a group, or any Board committee may do so by writing to the following address: Red Hat, Inc., 1801 Varsity Drive, Raleigh, North Carolina 27606, Attn: Lead Director or Non-Management Directors or Committee Chairperson. For further information, please refer to our website [www.redhat.com](http://www.redhat.com) under Company Company Profile Investor Relations Corporate Governance Contact the Board.

**Committees of the Board**

Our Board has established three standing committees - Audit, Compensation, and Nominating and Corporate Governance - each of which operates under a written charter approved by the Board and is available on our website [www.redhat.com](http://www.redhat.com) under - Company - Company Profile - Investor Relations - Corporate Governance.

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The table below provides current membership for each of our Board committees as of February 28, 2010:

<b>Name</b>	<b>Audit</b>	<b>Compensation</b>	<b>Nominating and Corporate Governance</b>
Ms. Chau		X	X
Mr. Clarke	X	X	
Dr. Fox		X	Chair
Dr. Gupta	X	Chair	
Mr. Kaiser	X		X
Mr. Livingstone	Chair		X
General Shelton (Lead Director)	X	X	

The Board has determined that all of the members of the Audit, Compensation and the Nominating and Corporate Governance Committees are independent in accordance with the standards set forth in our corporate governance policies and the NYSE rules.

*Audit Committee*

The Audit Committee met nine times during Fiscal 2010. The Audit Committee currently consists of five members. Dr. Albrecht served as Chairman of the Audit Committee until his resignation on June 30, 2009. In January 2010, the Audit Committee appointed Mr. Livingstone as Chairman of the Audit Committee. From the time of Dr. Albrecht's resignation until the appointment of Mr. Livingstone, Mr. Clarke served as Chairman of the Audit Committee. The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Board has determined that all of the members of our Audit Committee are independent and Mr. Livingstone is an audit committee financial expert in accordance with applicable SEC rules.

The Audit Committee's responsibilities include:

appointing, approving the compensation of, and assessing the independence of the Company's independent registered public accounting firm;

overseeing the work of the Company's independent registered public accounting firm, including through the receipt and consideration of certain reports from the independent registered public accounting firm;

reviewing and discussing with management and the Company's independent registered public accounting firm our annual and quarterly financial statements and related disclosures;

monitoring internal control over financial reporting, disclosure controls and procedures and the Code of Business Conduct and Ethics;

discussing the Company's risk management policies;

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establishing policies regarding hiring of present or former partners, stockholders, principals or employees of the independent registered public accounting firm and procedures for the receipt and retention of accounting related complaints and concerns;

meeting independently with the Company's internal auditing staff, independent registered public accounting firm and management; and

preparing the audit committee report required by SEC rules (which is included below in the section entitled "Audit Committee Report").

The Audit Committee's Charter limits a director to service on the audit committees of no more than two other public companies (in addition to Red Hat's) without the approval of our Board. None of the current members of our Audit Committee serve on the audit committees of more than two other public companies.

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*Compensation Committee*

The Compensation Committee met ten times during Fiscal 2010. The Compensation Committee currently consists of five members. The Compensation Committee may form one or more subcommittees and delegate authority to its subcommittees as it deems appropriate under the circumstances.

The Compensation Committee's responsibilities include:

annually reviewing and approving corporate goals and objectives relevant to CEO compensation;

determining the CEO's compensation;

reviewing and approving, or making recommendations to the Board with respect to, the compensation of the Company's other executive officers;

overseeing an evaluation of the Company's management;

overseeing and administering the Company's cash and equity incentive plans; and

reviewing and making recommendations to the Board with respect to director compensation.

*Nominating and Corporate Governance Committee*

The Nominating and Corporate Governance Committee met four times during Fiscal 2010. The Nominating and Corporate Governance Committee currently consists of four members.

The Nominating and Corporate Governance Committee's responsibilities include:

identifying individuals qualified to become Board members;

recommending to the Board the persons to be nominated for election as directors and to each of the Board's committees;

reviewing and making recommendations to the Board with respect to management succession planning;

developing and recommending corporate governance principles to the Board; and

overseeing an annual evaluation of the Board.

### **Audit Committee Report**

The following is the report of the Audit Committee with respect to the Company's audited financial statements for Fiscal 2010 that are included in the Company's Annual Report on Form 10-K for the same fiscal year.

The Audit Committee operates under a written charter adopted by the Board on December 22, 2003, which was amended and restated on November 19, 2009. A copy of the Audit Committee Charter is available at the Company's website at [www.redhat.com](http://www.redhat.com).

The membership of the Audit Committee and its responsibilities are further described above in the section entitled "Committees of the Board."

#### *Conduct of Audit Committee Meetings*

The Audit Committee's agenda is established by its chairperson with input from the committee members and Company's CFO. Audit Committee meetings are designed to facilitate and encourage communication among members of the Audit Committee and management.

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During its Fiscal 2010 meetings, the Audit Committee reviewed and discussed various financial and regulatory issues, the report of the Company's internal auditors and a summary of calls received on the Company's anonymous reporting telephone hotline with respect to fraud, theft, accounting and control matters. The Audit Committee also had separate executive sessions with representatives of PricewaterhouseCoopers LLP and as needed with the Company's CFO, Director of Internal Audit and General Counsel, at which meetings candid discussions of financial management, accounting, internal controls, legal and compliance issues took place. Additionally, the Audit Committee's chairperson held separate discussions from time to time with representatives of PricewaterhouseCoopers LLP and the Company's CFO, Director of Internal Audit and General Counsel.

### *Audit Committee Review of Periodic Reports*

The Audit Committee reviews each of the Company's quarterly and annual reports, including Management's Discussion and Analysis of Financial Condition and Results of Operations. As part of this review, the Audit Committee discusses the reports with the Company's management and considers the audit reports prepared by the independent registered public accounting firm about the Company's annual reports, as well as related matters such as the quality of the Company's accounting principles, alternative methods of accounting under U.S. generally accepted accounting principles and the preferences of the independent registered public accounting firm in this regard, the Company's critical accounting policies and the clarity and completeness of the Company's financial and other disclosures.

### *Audit Committee's Role in Connection with the Company's Report on Internal Controls*

The Audit Committee reviewed management's report on internal control over financial reporting, as required under Section 404 of the Sarbanes-Oxley Act of 2002 and related rules. As part of this review, the Audit Committee reviewed the bases for management's conclusions in that report and the report of the independent registered public accounting firm on internal control over financial reporting. Periodically during Fiscal 2010, the Audit Committee reviewed management's plan for documenting and testing controls, the results of their documentation and testing, any deficiencies discovered and the status of remediation of deficiencies.

### *Audit Committee's Role in Connection with the Financial Statements and Controls of the Company*

Management of the Company has primary responsibility for the Company's financial statements and internal control over financial reporting. The independent registered public accounting firm has responsibility for the integrated audit of the Company's financial statements and internal control over financial reporting. The responsibility of the Audit Committee is to oversee financial and control matters, among other responsibilities fulfilled by the Audit Committee under its charter. The Audit Committee meets regularly with the independent registered public accounting firm, without the presence of management, to help ensure candid and constructive discussions about the Company's compliance with accounting standards and best practices among public companies comparable in size and scope to the Company. The Audit Committee also reviews with its outside advisors material developments in accounting that may be pertinent to the Company's financial reporting practices.

### *Review and Discussions with Independent Registered Public Accounting Firm*

In its meetings with representatives of PricewaterhouseCoopers LLP, the Audit Committee asked the independent registered public accounting firm to address and discuss its responses to several questions that the Audit Committee believed were particularly relevant to its oversight. These questions included:

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Are there any significant judgments made by management in preparing the financial statements that would have been made differently had the independent registered public accounting firm prepared and been responsible for the financial statements?

Based on the independent registered public accounting firm's experience, and its knowledge of the Company, do the Company's financial statements fairly present, in all material respects, to investors,



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with clarity and completeness, the Company's financial position and performance for the reporting period in accordance with U.S. generally accepted accounting principles and SEC disclosure requirements?

Based on the independent registered public accounting firm's experience, and its knowledge of the Company, has the Company implemented internal controls over financial reporting that are appropriate for the Company?

During the course of the fiscal year, has the independent registered public accounting firm received any communication or discovered any information indicating any improprieties with respect to the Company's accounting and reporting procedures or reports?

The Audit Committee has also discussed with the independent registered public accounting firm that it is retained by the Audit Committee and that the independent registered public accounting firm must raise any concerns about the Company's financial reporting and procedures directly with the Audit Committee. Based on these discussions and its discussions with management, the Audit Committee believes it has a basis for its oversight judgments and for recommending that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for Fiscal 2010.

*Audit Committee Activity with Regard to the Company's Audited Financial Statements for Fiscal 2010*

The Audit Committee has, among other actions:

Reviewed and discussed the audited financial statements with the Company's management; and

Discussed with PricewaterhouseCoopers LLP, the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

*Independence of the Company's Independent Registered Public Accounting Firm*

The Audit Committee has received the written disclosures and the letter from PricewaterhouseCoopers LLP required by the applicable Public Company Accounting Oversight Board regarding PricewaterhouseCoopers LLP's communications with the Audit Committee concerning independence, and has discussed with PricewaterhouseCoopers LLP its independence. The Audit Committee has concluded that PricewaterhouseCoopers LLP is independent from the Company and its management.

*Conclusion*

Based on its review and discussion with management and the Company's independent registered public accounting firm, the Audit Committee recommended to the Board that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for Fiscal 2010. The Audit Committee and Board also have recommended the stockholder ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for Fiscal 2011.

Respectfully submitted,

THE AUDIT COMMITTEE

Donald H. Livingstone (Chair)

Jeffrey J. Clarke

Narendra K. Gupta

William S. Kaiser

H. Hugh Shelton

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All of our independent directors receive a combination of cash and equity compensation under arrangements which are further described below. The Company does not fund any type of retirement or pension plan for non-employee directors. Mr. Szulik, the Chairman of our Board, and Mr. Whitehurst, our President and CEO, have separate agreements with the Company containing compensation arrangements that are significantly different than those that apply to our independent directors. Mr. Szulik's compensation arrangements are further described below in the subsection entitled Compensation of Board Chairman. Mr. Whitehurst's compensation arrangements and the amount of compensation paid to him in Fiscal 2010 are summarized below in the section entitled Compensation and Other Information Concerning Executive Officers.

The following table summarizes the compensation paid to our directors other than Mr. Whitehurst during Fiscal 2010:

Name (1)	Fees Earned or Paid in Cash (\$ (2))	Stock Awards (\$ (3) (4))	All Other Compensation (\$)	Total (\$)
W. Steve Albrecht (5)	32,161		40,000	72,161
Micheline Chau (6)	65,325	112,498		177,823
Jeffrey J. Clarke (7)	39	198,048		198,087
Marye Anne Fox (8)	72,517	149,983		222,500
Narendra K. Gupta (9)	86,698	149,983		236,681
William S. Kaiser (10)	72,409	149,983		222,392
Donald H. Livingstone (11)	30,159	299,985		330,144
H. Hugh Shelton (12)	106,482	149,983		256,465
Matthew J. Szulik (13)	250,000		86,923	336,923

- (1) Compensation paid to Mr. Whitehurst, our President and CEO, is described below in the section entitled Compensation and Other Information Concerning Executive Officers.
- (2) With the exception of Mr. Szulik, this column reflects the amount of cash compensation paid to each director for his or her Board and committee service after accounting for DSU elections. As further described below in the subsection entitled Cash Compensation, non-employee directors may elect to convert all or a portion of their cash compensation into fully vested DSUs.
- (3) Amounts in this column represent the aggregate grant date fair value of equity compensation issued to directors determined in accordance with FASB ASC Topic 718. Equity compensation that our non-employee directors are eligible to receive is further described below in the subsection entitled Equity Compensation.
- (4) We no longer issue stock options to our non-employee directors. As of February 28, 2010, our non-employee directors had outstanding options to purchase the following number of shares of common stock: Ms. Chau 0, Mr. Clarke 0, Dr. Fox 105,000, Dr. Gupta 50,000, Mr. Kaiser 47,500, General Shelton 49,525 and Mr. Szulik 4,119,880. In addition, our non-employee directors had outstanding restricted stock awards (RSAs) and DSUs convertible into the following number of shares of common stock: Ms. Chau 18,888, Mr. Clarke 23,261, Dr. Fox 19,239, Dr. Gupta 17,690, Mr. Kaiser 7,190, Mr. Livingstone 10,478, General Shelton 7,190 and Mr. Szulik 99,533.
- (5) Dr. Albrecht was eligible to receive \$32,161 in cash compensation for service rendered in Fiscal 2010 prior to his resignation from the Board on June 30, 2009. Effective July 1, 2009, the Company entered into a consulting agreement with Dr. Albrecht under which Dr. Albrecht agreed to be available to provide consulting services for the Company, the Board and its directors, officers and employees for a period of twelve months in exchange for payments of \$5,000 per month for the term of the agreement. The total amount of \$60,000 due under the agreement will be paid to Dr. Albrecht in a lump sum at the end of the term, \$40,000 of which was earned in Fiscal 2010.
- (6) Ms. Chau was eligible to receive \$65,323 in cash compensation and an equity award of 5,393 shares for her Board service in Fiscal 2010 (as determined by dividing \$112,500 by the closing price of our common stock on the date of the annual grant). Her grant value was pro-rated from \$150,000 to reflect Ms. Chau's ten months of service. The table also reflects an additional \$2 in cash paid in lieu of fractional shares.

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- (7) Mr. Clarke was eligible to receive \$85,587 in cash compensation and an equity award of 5,393 shares for his Board service in Fiscal 2010 (as determined by dividing \$112,500 by the closing price of our common stock on the date of the annual grant). His grant value was pro-rated from \$150,000 to account for Mr. Clarke's ten months of service to the Board on the grant date. Mr. Clarke elected to receive DSUs in lieu of 100% of all cash payments. The table reflects \$39 in cash paid in lieu of fractional shares.
- (8) Dr. Fox was eligible to receive \$72,500 in cash compensation and an equity award of 7,190 shares for her Board service in Fiscal 2010 (as determined by dividing \$150,000 by the closing price of our common stock on the date of the annual grant). The table also reflects an additional \$17 in cash paid in lieu of fractional shares.