RED HAT INC
Form DEF 14A
June 25, 2013
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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: x

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)) x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to § 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):

x 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):

(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, 2013

Dear Red Hat Stockholders,

It is my pleasure to invite you to Red Hat s 2013 Annual Meeting of Stockholders. This year s meeting will be held on Thursday, August 8, 2013, at 9:00 a.m. local time, at our corporate headquarters, located at 100 East Davie Street, Raleigh, North Carolina 27601. 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 2013 Annual Meeting of Stockholders and Proxy Statement.

Your vote is important to us. Whether or not you plan to attend the 2013 Annual Meeting, we hope you will vote as soon as possible. You may vote in person, by telephone, over the Internet or 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.

100 East Davie Street

Raleigh, North Carolina 27601

NOTICE OF 2013 ANNUAL MEETING OF STOCKHOLDERS

TIME AND DATE:	9:00 a.m. local time on Thursday, August 8, 2013
PLACE:	Red Hat s corporate headquarters located at 100 East Davie Street, Raleigh, North Carolina 27601
ITEMS OF BUSINESS:	1. To elect three members to the Board of Directors, each to serve for a three-year term as a Class II director
	2. To ratify the selection of PricewaterhouseCoopers LLP as Red Hat s independent registered public accounting firm for the fiscal year ending February 28, 2014
	3. To approve, on an advisory basis, a resolution relating to Red Hat s executive compensation
	4. To approve an amendment to Red Hat s Certificate of Incorporation to phase out Red Hat s classified Board of Directors
	5. To approve an amendment and restatement of Red Hat s By-Laws to phase out Red Hat s classified Board of Directors
	6. To transact such other business as may properly come before the 2013 Annual Meeting and any adjournments thereof
ADJOURNMENTS AND POSTPONEMENTS:	Any action on the items of business described above may be considered at the 2013 Annual Meeting or at any time and date to which the 2013 Annual Meeting may be properly adjourned or postponed.

RECORD DATE:	Stockholders of record at the close of business on June 14, 2013 are entitled to notice of, and to vote at, the 2013 Annual Meeting and at any adjournments or postponements thereof.
INSPECTION OF LIST OF STOCKHOLDERS OF RECORD:	A list of stockholders of record will be available for inspection at our corporate headquarters located at 100 East Davie Street, Raleigh, North Carolina 27601, during ordinary business hours during the ten-day period before the 2013 Annual Meeting.
VOTING:	Whether or not you plan to attend the 2013 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, or you may sign, date and mail the enclosed proxy card in the pre-paid envelope provided.

By Order of the Board of Directors,
Michael R. Cunningham

Secretary

Raleigh, North Carolina

June 25, 2013

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2013 ANNUAL MEETING TO BE HELD ON AUGUST 8, 2013: THIS PROXY STATEMENT, THE ACCOMPANYING PROXY CARD AND RED HAT S ANNUAL REPORT TO STOCKHOLDERS ARE AVAILABLE AT WWW.EDOCUMENTVIEW.COM/RHT

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FOR THE 2013 ANNUAL MEETING OF STOCKHOLDERS

ON AUGUST 8, 2013

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PROXY STATEMENT

FOR THE 2013 ANNUAL MEETING OF STOCKHOLDERS

ON AUGUST 8, 2013

INTRODUCTION

This Proxy Statement for Red Hat s 2013 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 2013 Annual Meeting of Stockholders (Annual Meeting) to be held at the corporate headquarters of Red Hat, Inc. located at 100 East Davie Street, Raleigh, North Carolina 27601 on Thursday, August 8, 2013, at 9:00 a.m. local time, and at any adjournments or postponements thereof.

This Proxy Statement and the accompanying materials are being mailed on or about June 28, 2013 to stockholders of record as of the close of business on June 14, 2013.

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

GENERAL INFORMATION CONCERNING THE ANNUAL MEETING

Why am I receiving these materials?

We have delivered these proxy 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 14, 2013 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 2013 Annual Report which includes our Annual Report on Form 10-K for the fiscal year ended February 28, 2013 (Fiscal 2013) and a proxy card or voting instruction card.

Who is eligible to vote at the Annual Meeting?

If your shares of Red Hat common stock are registered in your name in the records of our transfer agent, Computershare Limited (Computershare), as of the close of business on June 14, 2013, 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.

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, as of the close of business on June 14, 2013.

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

You are being asked to vote on:

Item 1: the election of three members to the Board, each to serve for a three-year term as a Class II director;

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Item 2: the ratification of the selection of PricewaterhouseCoopers LLP as Red Hat s independent registered public accounting firm for the fiscal year ending February 28, 2014 (Fiscal 2014);

Item 3: the approval, on an advisory basis, of a resolution relating to Red Hat s executive compensation;

Item 4: the approval of an amendment to Red Hat s Third Amended and Restated Certificate of Incorporation (the Certificate of Incorporation) to phase out Red Hat s classified Board; and

Item 5: the approval of an amendment and restatement of Red Hat s Amended and Restated By-Laws (the By-Laws) to phase out Red Hat s classified Board.

How does the Board recommend that I vote?

The Board recommends that you vote:

FOR the election of the three nominees named in this Proxy Statement to the Board, each to serve for a three-year term as a Class II director;

FOR the ratification of the selection of PricewaterhouseCoopers LLP as Red Hat s independent registered public accounting firm for Fiscal 2014;

FOR the approval, on an advisory basis, of the resolution relating to Red Hat s executive compensation;

FOR the approval of an amendment to Red Hat s Certificate of Incorporation to phase out Red Hat s classified Board; and

FOR the approval of an amendment and restatement of Red Hat s By-Laws to phase out Red Hat s classified Board.

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

We currently know of no other matters to be properly presented at the Annual Meeting. However, by giving your proxy you appoint the persons named as proxy holders to be your representatives at the Annual Meeting. If other matters are properly presented at the Annual Meeting, the proxy holders are each authorized to vote your shares in his or her discretion.

How do I vote my shares?

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 any of four ways:

By Internet If you have Internet access, you may submit your proxy by following the instructions provided with this Proxy Statement and on your proxy card.

By Telephone You can also submit your proxy by telephone by following the instructions provided with this Proxy Statement and on your proxy card.

By Mail You may submit your proxy by completing the proxy card enclosed with this Proxy Statement, 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. In order to gain admittance, you must present a valid government-issued photo identification such as a driver s license or passport.

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

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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 present a valid government-issued photo identification such as a driver s license or passport and hand in the valid proxy from your broker, bank or similar institution, along with a signed ballot that you can request at the Annual Meeting. You will not be able to vote your shares held in street name at the Annual Meeting without a valid government-issued photo identification such as a driver s license or passport, a valid proxy from your broker, bank or similar institution and a signed ballot.

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 submitted via the Internet or by telephone) or by giving written notice to our President or Corporate Secretary at our corporate headquarters. 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 nominees for director named in this Proxy Statement, FOR the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for Fiscal 2014, FOR the approval (on an advisory basis) of a resolution relating to Red Hat s executive compensation, FOR the approval of an amendment to Red Hat s Certificate of Incorporation to phase out Red Hat s classified Board of Directors and FOR the approval of an amendment and restatement of Red Hat s By-Laws to phase out Red Hat s classified Board of Directors. 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, the advisory vote on a resolution relating to Red Hat s executive compensation and the approval of an amendment to Red Hat s Certificate of Incorporation and an amendment and restatement of Red Hat s By-Laws to phase out Red Hat s classified Board of Directors), your broker cannot vote your shares if you have not given voting instructions. A broker non-vote occurs when your broker submits a proxy for the Annual Meeting, 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 non-discretionary matters 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, represented in person or by proxy, constitutes a quorum at the Annual Meeting. As of June 14, 2013, the record date for the

Annual Meeting, there were 189,294,180 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 the 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.

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, to approve (on an advisory basis) the resolution relating to the Company s executive compensation and any other matters that properly come before the Annual Meeting. Abstentions and broker non-votes will not be considered to have been voted.

Approval of a proposed amendment to our Certificate of Incorporation and an amendment and restatement of our By-Laws to phase out Red Hat s classified Board of Directors require the affirmative vote of the holders of at least 75% of the voting power of the outstanding shares of capital stock of the Company entitled to vote generally in the election of directors, voting together as a single class. Accordingly, such amendments will be approved upon the affirmative vote of the holders of 75% of our outstanding common stock as of the record date. Abstentions and broker non-votes will therefore have the same effect as an Against vote with respect to such proposal.

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 Computershare at 1-888-542-4427.

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 Computershare, our transfer agent and registrar, and are then certified by a representative of Computershare appointed by the Board to serve as the Inspector of Election at the Annual Meeting.

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 other employees, without additional remuneration, may solicit proxies in person, or by telephone, facsimile, email and other methods of electronic communication.

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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.edocumentview.com/rht or at www.redhat.com under About Red Hat Investor Relations SEC Filings & Financial Information.

What is householding ?

Some banks, brokers and similar institutions may be participating in the practice of householding proxy materials. This means that only one copy of these proxy materials may have been sent to multiple stockholders in your household. We will promptly deliver a separate copy of the proxy materials to you if you write to us at the following address or call us at the following phone number:

Red Hat, Inc.

Attention: Investor Relations

100 East Davie Street

Raleigh, North Carolina 27601

Phone: Call 919-754-3700 and ask to speak to Investor Relations.

If you want to receive separate copies of the proxy materials in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker or similar institution.

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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:

Class	Directors	Term Expires
I	Marye Anne Fox and Donald H. Livingstone	2015
II	W. Steve Albrecht, Jeffrey J. Clarke, and General H. Hugh Shelton (U.S. Army Retired)	2013
III	Sohaib Abbasi, Narendra K. Gupta, William S. Kaiser and James M. Whitehurst	2014

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.

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:

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, and our financial reporting and internal controls.

Global Expertise. As a global organization with offices in over 30 countries, nominees with global expertise bring useful business and cultural perspectives that relate to many significant aspects of our business.

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.

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.

Science and Technology Expertise. Nominees with backgrounds in science and technology support our efforts to spur innovation and develop new ideas and products.

Senior Leadership Experience. Nominees who have served in senior leadership positions enhance the Board s ability to identify and develop those qualities in management. They also bring a practical understanding of organizations, processes, strategy, risk management and methods to drive change and growth.

Nominees for Election to the Board of Directors

The Board has nominated three Class II directors, W. Steve Albrecht, Jeffrey J. Clarke, and General H. Hugh Shelton (U.S. Army Retired), for three-year terms ending in 2016. Each nominee has 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 certain key attributes that the Board considered in recommending each nominee for re-election.

W. Steve Albrecht, 66

Professor of Accounting, Brigham Young University, Marriott School of Management

Director since March 2011

Dr. Albrecht, who previously served on our Board from April 2003 through June 2009, is the Andersen Alumni Professor of Accounting at Brigham Young University s (BYU) Marriott School of Management (Marriott School). Dr. Albrecht also served as a mission president in Japan for his church from June 2009 through July 2012. Dr. Albrecht, a certified public accountant, certified internal auditor, and certified fraud examiner, joined BYU in 1977 after teaching at Stanford University and the University of Illinois, and served as Associate Dean of the Marriott School at BYU until July 2008. Prior to becoming a professor, he worked as an accountant for Deloitte & Touche. Dr. Albrecht currently serves on the board of directors of Cypress Semiconductor Corporation (NASDAQ:CY), a semiconductor design and manufacturing company, and SkyWest, Inc., the holding company of SkyWest Airlines (NASDAQ:SKYW), a regional airline company. He previously served on the board of directors of SunPower Corporation, a solar panel design and manufacturing company, from 2005 to 2012. He is the past president of the American Accounting Association and the Association of Certified Fraud Examiners and is a former trustee of the Financial Accounting

Foundation that oversees the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB) and the Committee of Sponsoring Organizations (COSO), the organization that designed the internal control framework used by nearly all public companies and other organizations. Dr. Albrecht s career in public accounting and as a professor and associate dean, as well as his service as a director of a number of public companies, brings to our Board financial expertise as well as public company board and senior leadership experience.

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Jeffrey J. Clarke, 51

Managing Partner, Augusta Columbia Capital Group LLC

Director since November 2008

Mr. Clarke has served as a Managing Partner of Augusta Columbia Capital Group LLC, an investment firm, since February 2012. Mr. Clarke served as the President and CEO of Travelport Limited, a provider of transaction processing for the global travel industry, from April 2006 through May 2011. 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, 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 directors of Orbitz Worldwide Ltd. (NYSE:OWW), a global online travel company. Mr. Clarke has also served on Travelport Limited s board of directors since May 2006, and as that board s Executive Chairman from June 2011 through February 2012 and as its Non-Executive Chairman from February 2012 through May 2013. Mr. Clarke served as a director of UTStarcom, Inc., a provider of IP-based networking and telecommunications solutions, from 2005 through 2010. Mr. Clarke s experience as an executive at large global technology companies brings to our Board global and industry expertise as well as senior leadership experience.

General H. Hugh Shelton, 71

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

Director since April 2003, Lead Director from March 2008 through August 2010, and Chairman since August 2010

General Shelton has served as the Executive Director of the General H. Hugh Shelton Leadership Center at North Carolina State University since January 2002 in addition to serving as a board member, consultant and advisor to a number of entities. From January 2002 until April 2006, General Shelton served as the President, International Operations, 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. General Shelton has served on the board of directors of L-3 Communications Corporation (NYSE:LLL), a supplier of products and services used in the aerospace and defense industries, since 2011. He has also served as a member of the board of directors of several other 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, Inc., an operator of beer, packaging and entertainment companies, from 2001 until 2009; and 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. General Shelton s leadership experience in the U.S. military and his service on the boards of other public companies brings to our Board global expertise as well as public company board and senior leadership experience.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE

FOR

THE ELECTION OF

W. STEVE ALBRECHT, 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.

Sohaib Abbasi, 56

Chairman, Chief Executive Officer and President of Informatica Corporation

Director since March 2011

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Mr. Abbasi has served as the Chief Executive Officer and President of Informatica Corporation (NASDAQ:INFA) since July 2004 and as Chairman of its board of directors since March 2005. Until 2003, Mr. Abbasi was Senior Vice President, Oracle Tools Division and Oracle Education at Oracle Corporation, which he joined in 1982. From 1994 to 2000, he was Senior Vice President, Oracle Tools Product Division. As President, Chief Executive Officer and Chairman of a technology-related company, Mr. Abbasi brings to our Board industry expertise as well as public company board and senior leadership experience.

Marye Anne Fox, 65

Chancellor Emerita of the University of California, San Diego

Director since January 2002

Dr. Fox has served as the as the Chancellor Emerita of the University of California, San Diego (U.C. San Diego) since June 2012, and as the Chancellor of U.C. San Diego between August 2004 and June 2012. Dr. Fox has also served as a Distinguished Professor of Chemistry at U.C. San Diego since August 2004. Prior to that Dr. Fox served as the Chancellor of North Carolina State University and as Distinguished University Professor of Chemistry from August 1998 until July 2004. Dr. Fox 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 Bridgepoint Education, Inc. (NYSE:BPI), a provider of educational services. Dr. Fox served on the board of directors of Boston Scientific Corporation, a developer, marketer and manufacturer of medical devices, from June 2002 until May 2011. Dr. Fox also 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, her technical background and service as director of large public companies, Dr. Fox brings to our Board public company board experience, science and technology expertise and senior leadership experience.

Narendra K. Gupta, 64

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, which 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 Vice Chairman from 2000 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. As a former executive and current and former board member of a number of technology-related public companies and as an investor in global companies, Dr. Gupta provides our Board with global expertise, industry and public company board experience, as well as science and technology expertise.

William S. Kaiser, 57

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 a number of private organizations in addition to Constant Contact, Inc. (NASDAQ:CTCT), a provider of products and services that help small organizations create and grow customer relationships. Having a background in venture capital investment focusing on technology-related entities, Mr. Kaiser brings to our Board financial and industry expertise.

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Donald H. Livingstone, 70

Teaching Professor (Retired), Brigham Young University, Marriott School of Management

Director since September 2009

Mr. Livingstone retired in August 2011 from BYU s Marriott School where he had served as a teaching professor since 1994. In addition to his teaching duties, Mr. Livingstone served as director of the Rollins Center for Entrepreneurship and Technology at the Marriott School from 1995 until 2007. During the period from 2002 to 2007, Mr. Livingstone served on the board of directors of a number of public and private companies. Mr. Livingstone took a leave of absence from the Marriott School from June 2007 until June 2009 to serve as a mission president in Africa for his church. Prior to joining BYU, Mr. Livingstone had a 29-year career with Arthur Andersen LLP that included service as an audit and consulting services partner in the San Francisco and Los Angeles offices. Mr. Livingstone s career in public accounting and as a teaching professor, as well as his service as a director of a number of public companies, brings to our Board financial expertise and public company board experience.

James M. Whitehurst, 45

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 financial and global expertise as well as senior leadership experience to our Board.

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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 2014. During Fiscal 2013, 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 Certificate of Incorporation or our By-laws, the Company believes it is advisable to provide our stockholders with the opportunity to ratify this selection. If our stockholders do not ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for Fiscal 2014, the Audit Committee of our Board of Directors will consider whether to select a new independent registered public accounting firm for Fiscal 2014 or to wait until the completion of the audit for Fiscal 2014 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 2014

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.

Fee Category	Fiscal Year Ended February 28, 2013	Fiscal Year Ended February 29, 2012
Audit Fees (1)	$ 1,466,141	$ 1,400,999
Audit-Related Fees (2)	$ 63,000	$ 60,000
Tax Fees (3)	$ 248,755	$ 141,641
All Other Fees (4)	$ 118,056	$ 102,108
Total Fees	$ 1,895,952	$ 1,704,748

(1) Audit Fees consist of fees for the audit of the Company s annual 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 Fiscal 2013 and the fiscal year ended February 29, 2012 (Fiscal 2012), fees for assistance with merger and acquisition activities comprise substantially all of the amounts described.

(3) Tax Fees consist of fees for tax compliance, tax advice and tax planning services. For Fiscal 2013 and Fiscal 2012, fees for advice relating to transfer pricing matters and non-U.S. subsidiary taxes and tax planning 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 2013 fees for conducting customer compliance audits comprise substantially all of the amount described. For Fiscal 2012 fees for conducting customer compliance audits and utilization of a research tool comprise substantially all of the amount 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.

For Fiscal 2012 and Fiscal 2013, 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.

ITEM NO. 3 ADVISORY VOTE ON EXECUTIVE COMPENSATION

We are asking stockholders to approve, on an advisory basis, a resolution relating to the Company s executive compensation as reported in this Proxy Statement. Consistent with the preference expressed by our stockholders at the Company s 2011 Annual Meeting, the Board has approved holding an advisory vote on executive compensation every year.

We urge stockholders to read the Compensation Discussion and Analysis section of this Proxy Statement, which describes how our executive compensation program is designed and operates, as well as the Summary Compensation Table and other related compensation tables, which provide additional information on the compensation of our named executive officers. The Board and the Compensation Committee believe that our executive compensation program as described in the Compensation Discussion and Analysis section has supported and contributed to the Company s recent and long-term success and the creation of long-term stockholder value and is effective in helping the Company attract and retain the high caliber of executive talent necessary to drive our business forward and build sustainable value for our stockholders.

In accordance with regulations issued under Section 14A of the Securities Exchange Act of 1934, as amended (the Exchange Act), we are asking stockholders to approve the following non-binding advisory resolution at the Annual Meeting:

RESOLVED, that the compensation paid to the Company s Named Officers, as disclosed in the Compensation Discussion and Analysis section, compensation tables and narrative discussion of the Proxy Statement for the 2013 Annual Meeting of Stockholders, is hereby APPROVED.

While this advisory resolution, commonly referred to as a say on pay resolution, is non-binding, the Compensation Committee will carefully review and consider the voting results when making future decisions regarding our executive compensation program.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE

FOR THE RESOLUTION RELATING TO RED HAT S EXECUTIVE COMPENSATION

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ITEM NO. 4 PROPOSAL TO AMEND THE CERTIFICATE OF INCORPORATION TO PHASE OUT RED HAT S CLASSIFIED BOARD OF DIRECTORS

Background

The Board proposes to amend our Certificate of Incorporation to phase out the present three-year, staggered terms of our directors and instead provide for the annual election of directors. Currently, the Board is divided into three classes, with directors elected to staggered three-year terms. Approximately one-third of our directors stand for election each year. After careful consideration, the Board approved, and recommended that the Company s stockholders approve at the Annual Meeting, a plan to declassify the Board. The Board s declassification plan also includes amendments to the Company s Amended and Restated By-Laws (the By-Laws), which are described below in Item No. 5 Proposal to Amend and Restate the By-Laws to Phase Out Red Hat s Classified Board of Directors .

Rationale for Declassification of the Board

The Board took into consideration arguments in favor of and against continuation of the classified board and determined that it is in the Company s best interests to propose to declassify the Board. In its review, the Board considered the results of the stockholder vote on a stockholder proposal urging the Board to eliminate our classified board structure. This stockholder proposal was presented at our 2012 Annual Meeting and approved by a majority of our stockholders. The Board also considered the advantages of maintaining the classified Board structure in light of our current circumstances, including that a classified Board structure enhances Board continuity and stability and helps the Company attract and retain committed directors who are able to develop a deeper knowledge of our business and the environment in which we operate and focus on long-term strategies. Classified boards also provide protection against certain abusive takeover tactics and more time to solicit higher bids in a hostile takeover situation because it is more difficult to change a majority of directors on the board in a single year. While the Board continues to believe that these are important considerations, the Board also considered potential advantages of declassification in light of our current circumstances, including the ability of stockholders to evaluate directors annually. Annually elected boards are perceived by some institutional stockholders as increasing the accountability of directors to all stockholders. After carefully weighing all of these considerations, the Board approved the proposed amendments to the Certificate of Incorporation and By-Laws and recommended that the stockholders adopt the amendments by voting in favor of this proposal and Item No. 5 below.

Proposed Declassification Amendment

If the proposed amendment to the Certificate of Incorporation and the proposed amendment and restatement of our By-Laws are approved by our stockholders, directors will be elected to one-year terms beginning with the 2014 Annual Meeting of Stockholders. Directors who have been elected or appointed to three-year terms prior to the effectiveness of the amendments, including directors elected at the 2013 Annual Meeting, will serve out those three-year terms, and thereafter would be eligible for annual re-election after completion of their current terms. If the proposed measures are approved, beginning with the 2016 Annual Meeting, the Board will be completely declassified and all directors will be elected annually to one-year terms. In addition, until the Board is completely declassified, any director appointed to the Board to fill a vacancy on the Board will hold office until the next election of the class for which such director is chosen; thereafter, any director so appointed will hold office until the next annual meeting of stockholders.

Delaware corporate law provides that members of a board that is classified may be removed only for cause. At present, because the Board is classified, the Certificate of Incorporation provides that our directors are removable only for cause. If Item No. 4 and Item No. 5 are approved, a member of our Board may be removed with or without cause once he or she is elected to a one-year term.

The above description is qualified in its entirety by reference to the full text of the proposed amendment to the Certificate of Incorporation, a copy of which is attached hereto as *Appendix A*.

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Required Stockholder Approval

Our Certificate of Incorporation requires that the proposed amendment be approved by the affirmative vote of the holders of at least 75% of the voting power of the outstanding shares of capital stock of the Company entitled to vote generally in the election of directors, voting together as a single class. Accordingly, this proposal will be approved upon the affirmative vote of the holders of at least 75% of our outstanding common stock as of the record date. Abstentions and broker non-votes will therefore have the same effect as an Against vote with respect to this proposal.

Legal Effectiveness

If the proposed amendments to the Certificate of Incorporation and the proposed amendment and restatement of our By-Laws are approved by the requisite vote of the stockholders, the amendment to the Certificate of Incorporation will become effective upon filing with the Secretary of State of the State of Delaware. If approved, we intend to make such filing promptly after the 2013 Annual Meeting.

Our Board reserves the right to abandon or delay the filing of the Certificate of Incorporation even if it is approved by our stockholders.

In the event the stockholders do not approve this proposal by the requisite vote, the Certificate of Incorporation will remain unchanged and the classified Board structure of the Company will remain in place and directors may only be removed for cause.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE

FOR

THE APPROVAL OF THE PROPOSED AMENDMENT OF THE CERTIFICATE OF INCORPORATION TO PHASE OUT RED HAT S CLASSIFIED BOARD OF DIRECTORS

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ITEM NO. 5 PROPOSAL TO AMEND AND RESTATE THE BY-LAWS TO PHASE OUT RED HAT S CLASSIFIED BOARD OF DIRECTORS

Background

The Board proposes to amend and restate our By-Laws to phase out the present three-year, staggered terms of our directors and instead provide for the annual election of directors. Currently, the Board is divided into three classes, with directors elected to staggered three-year terms. Approximately one-third of our directors stand for election each year. After careful consideration, the Board approved, and recommended that the Company s stockholders approve at the Annual Meeting, a plan to declassify the Board. The Board s declassification plan also includes amendments to the Company s Certificate of Incorporation, which are described above in Item No. 4 Proposal to Amend the Certificate of Incorporation to Phase Out Red Hat s Classified Board of Directors .

Rationale for Declassification of the Board

Please see Item No. 4 Proposal to Amend the Certificate of Incorporation to Phase Out Red Hat s Classified Board of Directors above for a discussion of the rationale to declassify the Board.

Proposed Declassification Amendment

If the proposed amendment and restatement of our By-Laws and the related proposed amendment to our Certificate of Incorporation are approved by our stockholders, directors will be elected to one-year terms beginning with the 2014 Annual Meeting of Stockholders. Directors who have been elected or appointed to three-year terms prior to the effectiveness of the amendments, including directors elected at the 2013 Annual Meeting, will serve out those three-year terms, and thereafter would be eligible for annual re-election after completion of their current terms. If the proposed measures are approved, beginning with the 2016 Annual Meeting, the Board will be completely declassified and all directors will be elected annually for one-year terms. In addition, until the Board is completely declassified, any director appointed to the Board to fill a vacancy on the Board will hold office until the next election of the class for which such director is chosen; thereafter, any director so appointed will hold office until the next annual meeting of stockholders.

Delaware corporate law provides that members of a board that is classified may be removed only for cause. At present, because the Board is classified, the By-Laws provide that our directors are removable only for cause. If Item No. 4 and Item No. 5 are approved, a member of our Board may be removed with or without cause once he or she is elected to a one-year term.

The above description is qualified in its entirety by reference to the full text of the proposed amendment and restatement of the By-Laws, a copy of which is attached hereto as *Appendix B*.

Required Stockholder Approval

Our By-Laws require that the proposed amendment and restatement of our By-Laws be approved by the affirmative vote of the holders of at least 75% of the voting power of the outstanding shares of capital stock of the Company entitled to vote generally in the election of directors, voting together as a single class. Accordingly, this proposal will be approved upon the affirmative vote of the holders of at least 75% of our outstanding common stock as of the record date. Abstentions and broker non-votes will therefore have the same effect as an Against vote with respect to this proposal.

Legal Effectiveness

If the proposed amendment and restatement of our By-Laws and the proposed amendment to the Certificate of Incorporation are approved by the requisite vote of the stockholders, the amendment and restatement of the By-laws will become effective upon the filing of the amendment to the Certificate of Incorporation with the Secretary of State of the State of Delaware. If approved, we intend to make such filing promptly after the 2013 Annual Meeting.

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Our Board reserves the right to abandon or delay the filing of the Certificate of Incorporation even if it is approved by our stockholders.

In the event the stockholders do not approve this proposal by the requisite vote, the By-laws will remain unchanged and the classified Board structure of the Company will remain in place and directors may only be removed for cause.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE

FOR

THE APPROVAL OF THE PROPOSED AMENDMENT AND RESTATEMENT OF THE BY-LAWS TO PHASE OUT RED HAT S CLASSIFIED BOARD OF DIRECTORS; WITH THE EFFECTIVENESS OF THE AMENDMENT AND RESTATEMENT OF THE BY-LAWS SUBJECT TO THE FILING OF THE AMENDED CERTIFICATE OF INCORPORATION WITH THE SECRETARY OF STATE OF THE STATE OF DELAWARE

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BENEFICIAL OWNERSHIP OF OUR COMMON STOCK

The tables below set forth, as of May 31, 2013 (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 30, 2013 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 that vest on or before July 30, 2013 and DSUs that are convertible into shares of common stock on or before July 30, 2013. As of May 31, 2013, we had 189,728,958 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 30, 2013 are deemed to be outstanding for the individual or entity but such shares 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

As of the end of Fiscal 2013, our Chief Executive Officer, Chief Financial Officer and other three most highly compensated executive officers who were serving as of February 28, 2013 were James M. Whitehurst, Charles E. Peters, Jr., Paul J. Cormier, Arun Oberoi and Michael R. Cunningham (Named Officers). The following table includes information regarding the number of shares of our common stock beneficially owned by each of our directors, director nominees and Named Officers, as well as all of our directors and executive officers as a group, as of May 31, 2013.

Name and Address of Beneficial Owner (1)	Title(s)	Amount and Nature of Beneficial Ownership (2)	Percent of Common Stock Outstanding
James M. Whitehurst (3)	Class III Director and President and Chief Executive Officer	355,566	*
William S. Kaiser (4)	Class III Director	286,793	*
Paul J. Cormier (5)	Executive Vice President and President, Products and Technologies	134,376	*
Michael R. Cunningham (6)	Executive Vice President, General Counsel and Secretary	84,278	*
Charles E. Peters, Jr. (7)	Executive Vice President and Chief Financial Officer	72,051	*
Marye Anne Fox (8)	Class I Director	41,496	*
Arun Oberoi (9)	Executive Vice President of Global Sales and Services	34,478	*
Narendra K. Gupta (10)	Class III Director	33,242	*
Jeffrey J. Clarke (11)	Class II Director	29,401	*
H. Hugh Shelton (12)	Chairman of the Board and Class II Director	25,997	*
Donald H. Livingstone (13)	Class I Director	16,211	*

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Name and Address of Beneficial Owner (1)	Title(s)	Amount and Nature of Beneficial Ownership (2)	Percent of Common Stock Outstanding
Sohaib Abbasi (14)	Class III Director	14,110	*
W. Steve Albrecht (15)	Class II Director	11,834	*
All executive officers and directors as a group (14 persons) (16)		1,203,685	*

* Less than one percent of the outstanding common stock.

(1) The address for each beneficial owner is c/o Red Hat, Inc., 100 East Davie Street, Raleigh, North Carolina 27601.

(2) Each person named in the table reported that he or she has sole voting and investment power (or shares such power with his or her spouse) with respect to all shares shown as beneficially owned by him or her, except as noted in the footnotes below and subject to community property laws, if applicable. The inclusion herein of any shares of common stock does not constitute an admission of direct or indirect beneficial ownership of those shares.

(3) Consists of (i) 244,001 shares of common stock and (ii) 111,565 shares of restricted stock vesting over four years from the date of grant.

(4) Consists of (i) 193,142 shares of common stock, (ii) 12,500 shares of common stock issuable upon exercise of stock options, (iii) 3,849 shares of restricted stock vesting one year from the date of grant, (iv) 7,190 shares of common stock issuable upon conversion of DSUs and (v) 70,112 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.

(5) Consists of (i) 69,688 shares of common stock and (ii) 64,688 shares of restricted stock vesting over four years from the date of grant.

(6) Consists of (i) 42,193 shares of common stock and (ii) 42,085 shares of restricted stock vesting over four years from the date of grant.

(7) Consists of (i) 17,154 shares of common stock and (ii) 54,897 shares of restricted stock vesting over four years from the date of grant.

(8) Consists of (i) 29,584 shares of common stock, (ii) 1,925 shares of restricted stock vesting one year from the date of grant and (iii) 9,987 shares of common stock issuable upon conversion of DSUs.

(9) Consists of (i) 2,812 shares of common stock and (ii) 31,666 shares of restricted stock vesting over four years from the date of grant.

(10) Consists of (i) 7,345 shares of common stock and (ii) 25,897 shares of common stock issuable upon conversion of DSUs.

(11) Consists of (i) 3,849 shares of restricted stock vesting one year from the date of grant and (ii) 25,552 shares of common stock issuable upon conversion of DSUs.

(12) Consists of (i) 18,811 shares of common stock and (ii) 7,186 shares of common stock issuable upon conversion of DSUs.

(13) Consists of (i) 3,678 shares of common stock and (ii) 12,533 shares of common stock issuable upon conversion of DSUs.

(14) Consists of (i) 5,775 shares of common stock, (ii) 60 shares of common stock held of record by the Abbasi Family 2003 Charitable Remainder Unitrust for which Mr. Abbasi is the trustee, (iii) 2,210 shares of restricted stock vesting over three years from the date of grant and (iv) 6,065 shares of common stock issuable upon conversion of DSUs.

(15) Consists of (i) 4,419 shares of common stock, (ii) 2,210 shares of restricted stock vesting over three years from the date of grant and (iii) 5,205 shares of common stock issuable upon conversion of DSUs.

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(16) Consists of (i) 737,875 shares of common stock, (ii) 12,500 shares of common stock issuable upon exercise of stock options, (iii) 353,695 shares of restricted stock vesting over either one year, three years, or four years from the date of grant and (iv) 99,615 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 31, 2013.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Common Stock Outstanding (1)
T. Rowe Price Associates, Inc. (2) 100 East Pratt Street Baltimore, MD 21202	24,776,706	13.06%
FMR LLC (3) 82 Devonshire Street Boston, MA 02109	22,568,947	11.86%
Prudential Financial, Inc. (4) 751 Broad Street Newark, NJ 07102	15,136,967	7.98%
Blackrock, Inc. (5) 40 East 52nd Street New York, NY 10022	13,280,028	7.00%
The Vanguard Group, Inc. (6) 100 Vanguard Blvd. Malvern, PA 19355	11,480,516	6.05%

(1) Percentages are calculated based on our common stock outstanding as of May 31, 2013.

(2) Based on a Schedule 13G/A filed with the SEC on February 6, 2013 by T. Rowe Price Associates, Inc. (Price Associates). As of December 31, 2012, Price Associates reports sole power to vote or direct the vote over 7,864,373 shares and sole power to dispose or direct the disposition of 24,776,706 shares. In connection with the filing of such Schedule 13G/A Price Associates declared and affirmed that the filing of such Schedule should not be construed as an admission that Price Associates is the beneficial owner of the securities referred to, which beneficial ownership it expressly denied.

(3) Based on a Schedule 13G/A filed with the SEC on February 14, 2013 by FMR LLC. As of December 31, 2012, FMR LLC reports sole power to vote or direct the vote over 1,157,949 shares and sole power to dispose or direct the disposition of 22,568,947 shares. Includes

21,411,597 shares beneficially owned by Fidelity Management & Research Company (Fidelity) in its capacity as an investment advisor to various investment companies, including Fidelity Growth Company Fund (FGCF), which beneficially owned 15,218,586 shares. Fidelity Management Trust Company (a bank as defined in Section 3(a)(6) of the Exchange Act) (FMTC) beneficially owned 60,394 shares as a result of its serving as investment manager of one or more institutional accounts. Strategic Advisers, Inc. (SAI) beneficially owned 1,096,956 shares in its capacity as an investment advisor. Fidelity, FMTC and SAI are wholly owned subsidiaries of FMR LLC. Members of the family of Edward C. Johnson 3d, Chairman of FMR LLC, directly or through trusts, own approximately 49% of the voting power of FMR LLC, and through their ownership of voting common shares and the execution of a shareholders voting agreement may be deemed to form a controlling group with respect to FMR LLC.

(4) Based on a Schedule 13G/A filed with the SEC on February 11, 2013 by Prudential Financial, Inc. (Prudential) and includes shares held by certain of its subsidiaries. As of December 31, 2012, Prudential reports sole power to vote or direct the vote over 278,506 shares, shared power to vote or direct the vote over 8,847,474 shares, sole power to dispose or direct the disposition of 278,506 shares and shared power to dispose or direct the disposition of 14,858,461 shares. Jennison Associates LLC (Jennison) filed a separate Schedule 13G/A with the SEC on February 13, 2013 reporting beneficial ownership of 14,909,879 shares. However, these shares have not been listed separately because they are included in the shares reported by Prudential, which indirectly owns 100% of the equity interest in Jennison. Jennison furnishes investment advice to several investment companies, insurance separate accounts and institutional clients (Managed Portfolios). As a result of its role as investment adviser of the Managed Portfolios, Jennison may be deemed to be the beneficial owner of the shares held by such Managed Portfolios.

(5) Based on a Schedule 13G/A filed with the SEC on February 5, 2013 by Blackrock, Inc. and includes shares held by certain of its subsidiaries. As of December 31, 2012, Blackrock, Inc. reports sole power to vote or direct the vote over 13,280,028 shares and sole power to dispose or direct the disposition of 13,280,028 shares.

(6) Based on a Schedule 13G/A filed with the SEC on February 11, 2013 by The Vanguard Group, Inc. As of December 31, 2012, The Vanguard Group, Inc. reports sole power to vote or direct the vote over 343,591 shares, sole power to dispose or direct the disposition of 11,157,925 shares and shared power to dispose or direct the disposition of 322,591 shares. Includes 271,191 shares beneficially owned by Vanguard Fiduciary Trust Company (VFTC) as a result of its serving as an investment manager of collective trust accounts. Also includes 123,800 shares beneficially owned by Vanguard Investments Australia, Ltd. (VIA) as a result of its serving as an investment manager of Australian investment offerings. VFTC and VIA are wholly owned subsidiaries of The Vanguard Group, Inc.

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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.

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. We have posted our Code of Business Conduct and Ethics on our website, www.redhat.com. In addition, we intend to post on our website all disclosures that are required by law or by New York Stock Exchange (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 and the non-management directors are each to meet regularly in executive session;
- directors have full and free access to management and, as necessary and appropriate, independent advisors;
- directors who reach the age of 75 will retire from the Board effective at the end of his or her then current term;
- new directors participate in an orientation program and all directors are expected to participate in continuing director education on an ongoing basis; and

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

Related Person Transactions

We have a written Related Person Transaction Policy that provides for the review of certain 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.

Any related person transaction proposed to be entered into by the Company must be reported to the Company s General Counsel. 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

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person 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 Fiscal 2013, the Audit Committee reviewed and ratified the following transactions:

- FMR LLC beneficially owns 22,568,947 shares (approximately 11.86%) of our outstanding common stock as of December 31, 2012 based on its holdings reported in a Schedule 13G/A filed with the SEC on February 14, 2013. During Fiscal 2013, we paid an affiliate of FMR LLC approximately $65,000 to provide 401(k) plan administration and other services to us. Affiliates of FMR LLC purchased approximately $433,000 in goods and services from us during Fiscal 2013. 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 by 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.

Prudential Financial, Inc. beneficially owns 15,136,967 shares (approximately 7.98%) of our outstanding common stock as of December 31, 2012 based on its holdings reported in a Schedule 13G/A filed with the SEC on February 11, 2013. During Fiscal 2013, Prudential Financial, Inc. purchased approximately $573,000 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 by an unrelated third party in transactions of similar size.

Blackrock, Inc. beneficially owns 13,280,028 shares (approximately 7.00%) of our outstanding common stock as of December 31, 2012 based on its holdings reported in a Schedule 13G/A filed with the SEC on February 5, 2013. During Fiscal 2013, Blackrock, Inc. purchased approximately $625,000 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 by an unrelated third party in transactions of similar size.

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The Vanguard Group, Inc. beneficially owns 11,480,516 shares (approximately 6.05%) of our outstanding common stock as of December 31, 2012 based on its holdings reported in a Schedule 13G/A filed with the SEC on February 11, 2013. During Fiscal 2013, The Vanguard Group, Inc. purchased approximately $231,000 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 by an unrelated third party in transactions of similar size.

We employ M. W. Vincent, the brother-in-law of DeLisa K. Alexander, our Executive Vice President and Chief People Officer. In Fiscal 2013, Mr. Vincent s total compensation, including salary, commissions, bonus and the amount of share-based compensation expense that we recognized for financial statement reporting purposes for equity compensation previously granted to him, was $291,113.

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 eight of our nine current directors, including the Chairman of the Board, are independent directors. 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 a questionnaire designed to provide information to assist the Board in determining whether the director is independent under NYSE rules and our Corporate Governance Guidelines.

After considering relationships between the directors and Red Hat, the Board affirmatively determined that all of our directors, except for Mr. Whitehurst, our current President and CEO, meet the criteria as outlined by the NYSE and our Corporate Governance Guidelines and in the judgment of our Board are independent.

Key Board Practices

Board Meetings and Attendance

The Board met ten times during Fiscal 2013, 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 2013 each member of our Board, other than Mr. Abbasi, attended at least 75% of the aggregate of the meetings of the Board and the committees on which he or she served. Each member of our Board attended our 2012 Annual Meeting of Stockholders, except for Micheline Chau who declined to stand for re-election to the Board at the 2012 Annual Meeting.

Executive Sessions

Our independent directors meet in separate regularly scheduled executive sessions, without management. During Fiscal 2013, General Shelton chaired these sessions.

Director Stock Ownership Policy

Our Stock Ownership Policy as it relates to our directors is described below in the section entitled Compensation of Directors Director Stock Ownership Requirements.

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Election of Directors

At all meetings of stockholders for the election of directors at which a quorum is present, each director nominee shall be elected by the vote of the majority of the votes cast; provided, however, that if, as of a date that is five business days in advance of the date that the Company files its definitive proxy statement with the SEC (regardless of whether or not thereafter revised or supplemented), the number of director nominees exceeds the number of directors to be elected, the directors (not exceeding the authorized number of directors as fixed by the Board in accordance with the Company s Certificate of Incorporation and By-laws) shall be elected by a plurality of the voting power of the shares of stock entitled to vote who are present, in person or by proxy at any such meeting and entitled to vote on the election of directors. For purposes of the election of directors, a majority of the votes cast means that the number of shares voted For a director nominee must exceed the number of shares voted Against that director nominee. Abstentions and broker non-votes are not considered votes cast for this purpose.

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 the 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

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, who is an independent director, 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 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 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., 100 East Davie Street, Raleigh, North Carolina 27601. 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 the Chairman of the Board of Directors 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., 100 East Davie Street, Raleigh, North Carolina 27601, Attn: Chairman of the Board or Non-Management Directors or Committee Chairperson. For further information, please refer to our website at www.redhat.com under About Red Hat 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 available on our website at www.redhat.com under About Red Hat Investor Relations Corporate Governance.

The table below illustrates membership for each of our Board committees during Fiscal 2013.

Name	Audit	Compensation	Nominating and Corporate Governance
Mr. Abbasi	X		X
Dr. Albrecht	X		X
Ms. Chau		X (1)	
Mr. Clarke	X	X	
Dr. Fox			Chair
Dr. Gupta		Chair	
Mr. Kaiser			X
Mr. Livingstone	Chair		
General Shelton (Chairman of Board)		X	

(1) Ms. Chau declined to stand for re-election to the Board at the 2012 Annual Meeting, and her term as a Board (and Compensation Committee) member expired effective August 9, 2012.

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 Guidelines and NYSE rules. Effective as of the applicable committee meeting to be held in connection with the 2013 Annual Meeting, the Board has appointed Dr. Albrecht as Chairperson of the Audit Committee, Mr. Clarke as Chairperson of the Compensation Committee and Mr. Kaiser as Chairperson of the Nominating and Corporate

Governance Committee.

Audit Committee

The Audit Committee met eight times during Fiscal 2013. The Audit Committee currently consists of four members. 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.

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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;
- 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.

Compensation Committee

The Compensation Committee met seven times during Fiscal 2013. The Compensation Committee currently consists of three 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;

participating in annual assessment of the material risks, if any, posed by the Company s compensation policies and practices;

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 2013. 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;

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- 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 2013 that are included in the Company s Annual Report on Form 10-K for Fiscal 2013.

The Audit Committee operates under a written charter adopted by the Board on December 20, 2010. A copy of the Audit Committee Charter is available at the Company s website at www.redhat.com.

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

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 the Company s management, its Director of Internal Audit and its independent registered public accounting firm, PricewaterhouseCoopers LLP.

During its Fiscal 2013 meetings, the Audit Committee reviewed and discussed various financial and regulatory issues, as well as reports of the Company s internal auditors, its independent registered public accounting firm and management. As a part of these meetings, the Audit Committee regularly held separate executive sessions with representatives of the Company s independent registered public accounting firm, the Company s management and its Director of Internal Audit, at which 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 reports prepared by the independent registered public accounting firm about the Company s annual reports and communications from the firm related to quarterly reviews, 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 2013, the Audit Committee reviewed plans for documenting and testing controls, the results of such documentation and testing, any deficiencies discovered and the status of remediation of deficiencies.

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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:

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, 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 and have such controls operated effectively as of the end of the Company s fiscal year?

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 2013.

Audit Committee Activity with Regard to the Company s Audited Financial Statements for Fiscal 2013

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 requirements of the Public Company Accounting Oversight Board regarding

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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 2013. 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 2014.

Respectfully submitted,

THE AUDIT COMMITTEE

Donald H. Livingstone (Chair)

Sohaib Abbasi

W. Steve Albrecht

Jeffrey J. Clarke

Compensation of Directors

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.

The following table summarizes the compensation paid to our directors other than Mr. Whitehurst during Fiscal 2013:

Name (1)	Fees Earned or Paid in Cash ($) (2)	Stock Awards ($) (3) (4)	All Other Compensation ($)	Total ($)
Sohaib Abbasi (5)		277,592		277,592
W. Steve Albrecht (6)	77,500	200,033		277,533
Micheline Chau (7)	31,440	200,033		231,473
Jeffrey J. Clarke (8)		285,158		285,158

Marye Anne Fox (9)	40,625	224,455	265,080
Narendra K. Gupta (10)	80,000	200,033	280,033
William S. Kaiser (11)	57,500	200,033	257,533
Donald H. Livingstone (12)	90,000	200,033	290,033
H. Hugh Shelton (13)	115,000	200,033	315,033

(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) 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.

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(4) We no longer issue stock options to our non-employee directors. As of February 28, 2013, the following non-employee directors had outstanding options to purchase the specified number of shares of common stock: Dr. Fox 10,000 and Mr. Kaiser 12,500. In addition, our non-employee directors had outstanding restricted stock awards (RSAs) and DSUs convertible into the following number of shares of common stock: Mr. Abbasi 10,127, Dr. Albrecht 9,625, Ms. Chau 0, Mr. Clarke 29,008, Dr. Fox 11,912, Dr. Gupta 25,897, Mr. Kaiser 11,039, Mr. Livingstone 12,533, and General Shelton 7,186.

(5) During Fiscal 2013, Mr. Abbasi was eligible to receive $77,500 in cash compensation and an annual equity award valued at $200,000. Mr. Abbasi elected to receive $77,500 of his cash compensation as DSUs in lieu of cash. The stock awards total in the table includes $92 of value realized as a result of issuing grants rounded up to the nearest whole share.

(6) During Fiscal 2013, Dr. Albrecht was eligible to receive $77,500 in cash compensation and an annual equity award valued at $200,000. The stock awards total in the table includes $33 of value realized as a result of issuing grants rounded up to the nearest whole share.

(7) During Fiscal 2013, Ms. Chau was eligible to receive $31,440 in cash compensation and an annual equity award valued at $200,000. The stock awards total in the table includes $33 of value realized as a result of issuing grants rounded up to the nearest whole share. Ms. Chau declined to stand for re-election to the Board in 2012, and her term as a Board member expired effective August 9, 2012 which resulted in the forfeiture of her unvested equity awards.

(8) During Fiscal 2013, Mr. Clarke was eligible to receive $85,000 in cash compensation and an annual equity award valued at $200,000. Mr. Clarke elected to receive $85,000 of his cash compensation as DSUs in lieu of cash. The stock awards total in the table includes $158 of value realized as a result of issuing grants rounded up to the nearest whole share.

(9) During Fiscal 2013, Dr. Fox was eligible to receive $65,000 in cash compensation and an annual equity award valued at $200,000. Dr. Fox elected to receive $24,375 of her cash compensation as DSUs in lieu of cash. The stock awards total in the table includes $80 of value realized as a result of issuing grants rounded up to the nearest whole share.

(10) During Fiscal 2013, Dr. Gupta was eligible to receive $80,000 in cash compensation and an annual equity award valued at $200,000. The stock awards total in the table includes $33 of value realized as a result of issuing grants rounded up to the nearest whole share.

(11) During Fiscal 2013, Mr. Kaiser was eligible to receive $57,500 in cash compensation and an annual equity award valued at $200,000. The stock awards total in the table includes $33 of value realized as a result of issuing grants rounded up to the nearest whole share.

(12) During Fiscal 2013, Mr. Livingstone was eligible to receive $90,000 in cash compensation and an annual equity award valued at $200,000. The stock awards total in the table includes $33 of value realized as a result of issuing grants rounded up to the nearest whole share.

(13) During Fiscal 2013, General Shelton was eligible to receive $115,000 in cash compensation and an annual equity award valued at $200,000. The stock awards total in the table includes $33 of value realized as a result of issuing grants rounded up to the nearest whole share.

Our Compensation Committee is responsible for reviewing and approving the compensation program for our non-employee directors. The Compensation Committee believes that a combination of cash and equity is the best way to attract and retain qualified directors. In Fiscal 2013, our compensation program for non-employee directors included the following elements of compensation:

- a cash retainer for annual service on our Board;
- additional cash retainers for annual service as Chairman of the Board, Lead Director, committee chairs and committee members;
- an initial RSA grant in connection with joining our Board; and
- an annual RSA grant, payable in July each year.

Directors who begin their Board service mid-year receive a pro-rata portion of the cash retainers and equity compensation. Under the Director Compensation Plan, stock awards are determined by dividing the applicable cash payment or target award value by the closing price of stock on the date of grant. Fractional shares are rounded up to the next whole number.

The Compensation Committee adopted our current Director Compensation Plan in September 2009. The Plan was amended and restated in January 2013 to increase the value of the next annual RSA grant from $200,000 to $250,000 in order to maintain the level of director s equity compensation at approximately the median of our compensation peer group (the composition of our compensation peer group is described below in Compensation and Other Information Concerning Executive Officers Compensation Discussion and Analysis Process Used to Determine Annual Compensation). This increase will first be reflected in the annual awards granted in Fiscal 2014. The Compensation Committee worked with Frederic W. Cook & Co., its independent compensation consultant, to design the Director Compensation Plan in an effort to set director compensation at approximately the median of our compensation peer group.

Cash Compensation

Each non-employee director is entitled to receive the following cash payments, paid in equal quarterly amounts, for his or her Board retainer and committee assignments.

Type of Cash Retainer	**Cash Compensation Payable ($)**
Board Member	50,000
Chairman (1)	50,000
Lead Director (1)	30,000
Audit Committee Chair (2)	40,000
Audit Committee Member	20,000
Compensation Committee Chair (2)	30,000
Compensation Committee Member	15,000
Nominating and Corporate Governance Committee Chair (2)	15,000
Nominating and Corporate Governance Committee Member	7,500

(1) If the Chairman or Lead Director also serves as a committee chair, he or she receives both the Chairman or Lead Director retainer, as applicable, and the retainer payable for service on the committee rather than the applicable committee chair retainer.
(2) Committee chairs receive the applicable committee chair retainer in lieu of the retainer payable for service on the committee.

Prior to the beginning of each calendar year, non-employee directors may elect to receive all or a portion of their quarterly cash retainer payment in the form of DSUs. DSUs represent the right to receive shares of our common stock at the time that the director s Board service ends. The number of DSUs granted is determined by dividing the portion of the cash compensation with respect to which the election is made by the closing price of our common stock on the date the cash compensation is due to be paid. DSUs issued in lieu of cash compensation are fully vested, but will be paid to the director only at the time that the director s Board service ends.

Equity Compensation

In Fiscal 2013, our non-employee directors were entitled to receive the following equity compensation:

Initial RSA. Upon election or appointment to the Board, new non-employee directors are eligible to receive an initial RSA grant. The number of shares underlying the RSA is determined by dividing $300,000 by the closing price of our common stock on the grant date. The grant date is the next regularly scheduled grant date for employees following the director s election or appointment to the Board. These RSAs vest in equal annual installments over a three-year period.

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Annual RSA. Each non-employee director is eligible to receive an annual RSA grant. Under the Director Compensation Plan that was in place in Fiscal 2013, the number of shares underlying the RSA is determined by dividing $200,000 by the closing price of our common stock on the grant date. The annual award is granted on or about July 16th. These RSAs vest on the first anniversary of the grant date.

Each non-employee director may elect, prior to the beginning of the calendar year, to receive DSUs on a one-for-one share basis in lieu of his or her annual RSA. The DSUs will vest on the same basis as the underlying RSA would have vested. Vested DSUs will be paid out in shares of our common stock at the time that the director s Board service ends.

Additional Compensation

We do not pay meeting fees. Directors are reimbursed for reasonable out-of-pocket expenses incurred in attending meetings of the Board and meetings of any committee on which they serve, Company business meetings and approved educational seminars. With the prior approval of the Chairman of the Board and the Lead Director, if any, directors may, for the purpose of attending a Board or committee meeting, incur the cost of direct private round trip air transportation if there is no direct commercial flight within six hours of the scheduled commencement or adjournment of the meeting and travel of more than 200 miles is required.

Indemnification

Each director has entered into an indemnification agreement with the Company. The indemnification agreements are on substantially the same terms as the indemnification agreements that the Company has entered into with the Named Officers, as described below in the section entitled Compensation and Other Information Concerning Executive Officers Employment and Indemnification Arrangements with Named Officers Indemnification.

Director Stock Ownership Requirements

We have a Stock Ownership Policy that applies to our non-employee directors. During Fiscal 2013 this Stock Ownership Policy set the stock ownership level for each non-employee director at 10,000 shares of our common stock. The ownership levels were derived from multiples of the Cash Retainer for Board Members. As of the end of Fiscal 2013, each of our non-employee directors was in compliance with the Stock Ownership Policy. Our Stock Ownership Policy is further described below in the section entitled Compensation and Other Information Concerning Executive Officers Compensation Discussion and Analysis Stock Ownership Requirements.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee is composed entirely of independent directors, as was the case at all times during Fiscal 2013. At the beginning of Fiscal 2013, Ms. Chau, Mr. Clarke, Dr. Gupta (chair) and General Shelton were members of the Compensation Committee. No member of the Compensation Committee (i) was during Fiscal 2013 or is currently an employee of the Company, (ii) has ever been an officer of the Company, (iii) is or was a participant in a related person transaction as described above in the section entitled Key Governance Policies Related Person Transactions in Fiscal 2013 or (iv) is an executive officer of another entity, at which one of our executive officers serves on the compensation committee or the board of directors. None of our executive officers serves as a member of the board of directors or on the compensation committee, or other committee serving an equivalent function, of any entity that has one or more executive officers who serve as members of our Board or our Compensation Committee.

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COMPENSATION AND OTHER INFORMATION CONCERNING EXECUTIVE OFFICERS

In accordance with SEC rules, the following is a list of our executive officers (other than Mr. Whitehurst, our President and CEO, whose biography appears in the section entitled Item No. 1 Election of Directors Members of the Board Continuing to Serve) , their ages as of June 14, 2013 and certain information about their backgrounds.

Executive Officers

DeLisa K. Alexander

Ms. Alexander, 47, has served as Executive Vice President and Chief People Officer, since March 2011, Senior Vice President, People and Brand, from November 2007 until March 2011, and as Vice President, People, from July 2006 until November 2007. From August 2001 until July 2006, Ms. Alexander served in a number of legal capacities for Red Hat, including most recently as Assistant General Counsel and Assistant Secretary of the Company. Prior to joining Red Hat, she was associated with the Kilpatrick Stockton LLP law firm (now Kilpatrick Townsend & Stockton LLP) where she focused on mergers, acquisitions, venture capital, and intellectual property licensing.

Paul J. Cormier

Mr. Cormier, 56, has served as President, Products and Technologies since April 2008 and as Executive Vice President since May 2001. From March 1999 to May 2001, Mr. Cormier served as Senior Vice President, Research and Development at BindView Development Corporation, a network management software company. From June 1998 to March 1999, Mr. Cormier served as Chief Technology Officer for Netect Internet Software Company, a network security vendor. From January 1996 to June 1998, Mr. Cormier first served as Director of Engineering, Internet Security and Collaboration Products and then as Senior Director of Software Product Development, Internet Security Products, for AltaVista Internet Software, a web portal and internet services company.

Michael R. Cunningham

Mr. Cunningham, 52, joined the Company as Senior Vice President and General Counsel in June 2004 and has served as Executive Vice President and General Counsel since May 2007. From October 2002 to February 2003 (following the acquisition by IBM of the management consulting business of PricewaterhouseCoopers LLP), Mr. Cunningham served as an Associate General Counsel at IBM, with legal responsibilities for the Business Consulting Services division in the regions of Europe, the Middle East and Africa. From November 1994 until October 2002, Mr. Cunningham served in a number of legal capacities for PricewaterhouseCoopers LLP, including most recently as a Partner and Associate General Counsel, with various global legal responsibilities.

Arun Oberoi

Mr. Oberoi, 58, joined the Company as Executive Vice President of Global Sales and Services in May 2012. From December 2010 to January 2012, Mr. Oberoi served as president and CEO of Viridity Software, a data center infrastructure management company. From March 2008 to June 2010, Mr. Oberoi was CEO of Aveksa, an access governance and management software company. From January 2004 to February 2006, Mr. Oberoi was executive vice president of worldwide sales and services at Micromuse, a provider of network and service management solutions. Micromuse was acquired by IBM in February 2006, where Mr. Oberoi subsequently served as vice president within IBM Tivoli until March 2008. Prior to Micromuse, Mr. Oberoi held various executive leadership roles at Hewlett-Packard.

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Charles E. Peters, Jr.

Mr. Peters, 61, joined the Company as Executive Vice President and Chief Financial Officer in August 2004. Prior to joining the Company, Mr. Peters served as Senior Vice President and Chief Financial Officer of Burlington Industries, Inc., a manufacturer of fabrics and textiles for apparel and interior furnishings, from November 1995 until November 2003 and as a consultant to Burlington Industries, Inc. while employed by BTI Distribution Trust from November 2003 until joining the Company.

The Named Officers (James M. Whitehurst, Charles E. Peters, Jr., Paul J. Cormier, Arun Oberoi and Michael R. Cunningham) are the focus of the Compensation Discussion and Analysis.

Executive Summary of Compensation Discussion and Analysis

We believe our growth and success is attributable in part to a highly talented and motivated executive team who provide leadership in the changing and highly competitive industry in which we operate. Our executive compensation program is intended to incent our management team to meet and exceed short- and long-term corporate goals that enhance long-term stockholder value, while providing an appropriate mix of compensation to attract and retain top-quality executive talent in our industry s dynamic and competitive market for management talent. To meet these objectives, we emphasize pay for performance in our compensation mix by setting corporate and individual performance goals and conditioning a significant portion of our executives compensation on the achievement of those goals.

In Fiscal 2013, the Company delivered another year of solid financial performance despite challenging macro-economic conditions. The following table compares certain measures of our financial performance in Fiscal 2013 to our performance in Fiscal 2012.

Performance Measures	**Fiscal 2013**	**Fiscal 2012**	**Fiscal 2013 Improvement/(Decline) over Fiscal 2012**
Total Revenue	$ 1,328.8M	$ 1,133.1M	17.3%
Operating Income	$ 201.0M	$ 199.9M	0.6%
Operating Margin	15.1%	17.6%	(250 basis points)
Operating Cash Flow	$ 465.3M	$ 391.9M	18.7%
Stock Price at Fiscal Year-End	$ 50.81	$ 49.46	2.7%

In Fiscal 2013, the Compensation Committee approved an executive compensation package for our Named Officers that emphasized performance-based compensation and long-term equity compensation in an effort to align the interests of our Named Officers to the interests of our stockholders and focus our executives on the Company s critical goals that we believe translate into long-term stockholder value. The majority of total compensation opportunities were awarded in the form of equity awards (75% of the targeted award value in Fiscal 2013), for which the ultimate economic value to the recipients will depend upon the future price performance of Red Hat common stock. Performance-based elements, consisting of the annual cash bonus plan, the Operating Performance Share Units (Operating PSUs) and Share Price Performance Share Units (Share Price PSUs), accounted for approximately 60% of those total direct compensation opportunities for Named Officers.

After reviewing the Company s Fiscal 2013 financial performance, together with achievement against individual performance goals for the annual cash bonus plan, the Compensation Committee approved:

payouts at below target (82% of target) under our annual cash bonus plan;

payouts earned based on growth in revenue and operating income relative to peer group companies under Operating PSU awards granted in the fiscal year ending on February 28, 2011 (Fiscal 2011), in Fiscal 2012 and in Fiscal 2013 at 153%, 167% and 111% of target, respectively; and

payouts earned based on stock price growth over a three-year period relative to peer group companies under the Share Price PSU award granted in Fiscal 2011 at 169% of target.

The Named Officers earned compensation for Fiscal 2013 was affected by the Company s annual performance. While Red Hat delivered another year of solid financial performance in Fiscal 2013, and achievement of individual performance goals in each case exceeded expectations, management recommended that payouts under

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the cash bonus program be reduced from that earned under the plan due to the challenging macroeconomic conditions and overall Company performance. After taking into account management s recommendation, the Compensation Committee exercised its negative discretion as permitted under the plan to reduce payouts from the earned payout level to 82% of target. This resulted in payouts for Fiscal 2013 under the annual cash bonus plan that were over 50% lower than payouts received for Fiscal 2012.

The following table summarizes the principal components of our executive compensation program in Fiscal 2013.

Compensation Element	% of Total Compensation (Based on Average of Target Compensation)	Principal Objective	Performance Metrics	Key Features
Base Salary	14%	To secure and retain services of key executive talent	Not applicable	Average base salary between median and 75th percentile of peer group except for CEO base salary, which is between 25th percentile and median
Annual Cash Bonus	11%	To encourage and reward individual and corporate performance that enhances long-term stockholder value	Revenue, non-GAAP operating margin, non-GAAP operating cash flow and individual performance goals over one-year performance period	Average target cash bonus between the 25th percentile and the median in Fiscal 2013 Variable payouts based on Company s absolute performance against financial targets and performance against individual and executive team goals Total payout capped at 200% of target
Equity Compensation:	75%	To align executives interests with those of stockholders		Average target equity grant values between the 25th percentile and median of peer group for CEO and at 75th percentile for other Named Officers
Operating PSUs	25%	To encourage and reward corporate financial performance that enhances long-term stockholder value	Corporate revenue and operating income growth relative to peer group over three-year performance period with three annual	Variable number of shares granted based on performance relative to peer group in each performance segment

			performance segments	Three potential annual payouts over performance period; total payout capped at 200% of target
Share Price PSUs	25%	To encourage and reward corporate performance that contributes to stock price appreciation	Corporate stock price growth relative to peer group over three-year performance period	Variable number of shares granted based on performance relative to peer group Single potential payout at end of performance period; total payout capped at 200% of target
Restricted Stock Awards	25%	To retain executive talent	Service-based vesting over four-year period subject to a performance condition	25% of shares vest after first year; remainder vest ratably on a quarterly basis over subsequent three years

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Key Compensation Governance Practices. We have adopted a number of decisions and compensation governance practices that we believe benefit our stockholders by better aligning the interests of our management team with the interests of our stockholders, mitigating potential risks and promoting effective oversight of our compensation program, including the following:

- We have established a stock ownership policy for executives and directors; as of the end of Fiscal 2013, all of our executives and directors were in compliance with our policy.
- We have a clawback policy which covers our Named Officers incentive compensation (including gains from selling common stock distributed pursuant to incentive compensation arrangements) in the event that certain types of misconduct result in a material restatement of our financial results.
- We prohibit executives and directors, among others, from engaging in the following transactions with respect to the Company s securities: (i) selling short, (ii) buying or selling options (puts and calls), or other derivative securities or engaging in hedging or monetization transactions (such as collars and forward sales contracts), (iii) purchasing Company stock on margin, and (iv) pledging Company stock.
- Severance amounts payable under our change-in-control severance policy require a termination of employment following a change-in-control event (double trigger) before benefits are payable.
- We have not entered into any new, or modified any existing, excise tax gross-up provisions since December 2007.
- We hold an annual advisory say-on-pay vote. The Compensation Committee considers the outcome of this advisory vote in making compensation decisions, including the 97% approval we obtained in 2012.

Compensation Discussion and Analysis

Our executive compensation program is designed to focus our executives on the Company s critical goals that we believe translate into long-term stockholder value. As a result, a significant proportion of executive compensation is variable and based on corporate and individual performance. In setting performance goals and measuring performance against these goals, we use a performance management process and evaluate our pay practices relative to those at companies in our industry that we consider to be our peers. Our executive compensation program is structured to provide target total cash and equity compensation opportunities relative to our peer companies that allow us to compete for and retain top talent without providing excessive compensation. At the same time, the program is designed to have the flexibility to reward superior performance by providing for total realized compensation substantially above this level for exceptional results and to provide for compensation below this level if performance goals are not met.

Role of the Compensation Committee