

RED HAT INC
Form DEF 14A
June 25, 2014
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant:

Filed by a Party other than the Registrant:

Check the appropriate box:

Preliminary Proxy Statement

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

Table of Contents

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):

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):

Edgar Filing: RED HAT INC - Form DEF 14A

(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:

Table of Contents

Table of Contents

June 25, 2014

Dear Red Hat Stockholders,

It is my pleasure to invite you to Red Hat's 2014 Annual Meeting of Stockholders. This year's meeting will be held on Thursday, August 7, 2014, 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.

This year we are again pleased to furnish our proxy materials via the Internet. Providing our materials to stockholders electronically allows us to conserve natural resources and reduce our printing and mailing costs for the distribution of the proxy materials. We will mail to stockholders a Notice of Internet Availability of Proxy Materials for the 2014 Annual Meeting which contains instructions on how to access those documents over the Internet. Stockholders who wish to receive paper copies of the proxy materials may do so by following the instructions on the Notice of Internet Availability of Proxy Materials.

Your vote is important to us. Whether or not you plan to attend the 2014 Annual Meeting, we hope you will vote as soon as possible. You may vote in person, by telephone, over the Internet or, if you received paper copies of the proxy materials, by mail.

Thank you for your ongoing support of Red Hat.

Sincerely,
James M. Whitehurst

President and Chief Executive Officer

Table of Contents

NOTICE OF 2014 ANNUAL MEETING OF STOCKHOLDERS

TIME AND DATE: 9:00 a.m. local time on Thursday, August 7, 2014

PLACE: Red Hat's corporate headquarters located at 100 East Davie Street, Raleigh, North Carolina 27601

ITEMS OF BUSINESS:

1. To elect four members to the Board of Directors, each to serve for a one-year term
2. To ratify the selection of PricewaterhouseCoopers LLP as Red Hat's independent registered public accounting firm for the fiscal year ending February 28, 2015
3. To approve, on an advisory basis, a resolution relating to Red Hat's executive compensation
4. To transact such other business as may properly come before the 2014 Annual Meeting and any adjournments thereof

ADJOURNMENTS
AND

Any action on the items of business described above may be considered at the 2014 Annual Meeting or at any time and date to which the 2014 Annual Meeting may be properly adjourned or postponed.

POSTPONEMENTS:

RECORD DATE: Stockholders of record at the close of business on June 13, 2014 are entitled to notice of, and to vote at, the 2014 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 2014 Annual Meeting.

VOTING: Whether or not you plan to attend the 2014 Annual Meeting, we urge you to vote your shares via the toll-free telephone number or over the Internet as described in the proxy materials. If you received a copy of the proxy card by mail you may sign, date and mail the proxy card in the pre-paid envelope provided.

By Order of the Board of Directors,

Edgar Filing: RED HAT INC - Form DEF 14A

Michael R. Cunningham

Secretary

Raleigh, North Carolina

June 25, 2014

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2014 ANNUAL MEETING TO BE HELD ON AUGUST 7, 2014: THIS PROXY STATEMENT, THE ACCOMPANYING PROXY CARD AND RED HAT'S ANNUAL REPORT TO STOCKHOLDERS ARE AVAILABLE AT WWW.EDOCUMENTVIEW.COM/RHT

Table of Contents

**PROXY STATEMENT
FOR THE 2014 ANNUAL MEETING OF STOCKHOLDERS
ON AUGUST 7, 2014**

TABLE OF CONTENTS

	PAGE
<u>PROXY SUMMARY</u>	1
<u>INTRODUCTION</u>	5
<u>GENERAL INFORMATION CONCERNING THE ANNUAL MEETING</u>	5
<u>ITEM NO. 1 ELECTION OF DIRECTORS</u>	10
<u>Criteria for Evaluating Candidates for Service on Our Board</u>	10
<u>Nominees for Election to the Board of Directors</u>	11
<u>Members of the Board Continuing to Serve</u>	13
<u>ITEM NO. 2 RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	15
<u>Independent Registered Public Accounting Firm's Fees</u>	15
<u>Pre-Approval Policies and Procedures</u>	16
<u>ITEM NO. 3 ADVISORY VOTE ON EXECUTIVE COMPENSATION</u>	17
<u>BENEFICIAL OWNERSHIP OF OUR COMMON STOCK</u>	18
<u>Ownership by Our Directors and Executive Officers</u>	18
<u>Ownership of More than 5% of Our Common Stock</u>	20
<u>CORPORATE GOVERNANCE AND BOARD OF DIRECTORS INFORMATION</u>	22
<u>Key Governance Policies</u>	22
<u>Board Independence</u>	24
<u>Key Board Practices</u>	24
<u>Election of Directors</u>	25
<u>Risk Oversight</u>	25
<u>Leadership Structure</u>	25
<u>Process for Nominating Candidates for Service on Our Board</u>	26
<u>Communicating with Directors</u>	26
<u>Committees of the Board</u>	26
<u>Audit Committee Report</u>	28
<u>Compensation of Directors</u>	31
<u>Compensation Committee Interlocks and Insider Participation</u>	34
<u>COMPENSATION AND OTHER INFORMATION CONCERNING EXECUTIVE OFFICERS</u>	35
<u>Executive Officers</u>	35
<u>Executive Summary of Compensation Discussion and Analysis</u>	37
<u>Compensation Discussion and Analysis</u>	40
<u>Compensation Committee Report</u>	55
<u>Summary Compensation Table</u>	56
<u>Employment and Indemnification Arrangements with Named Officers</u>	57
<u>Employment Arrangement with New Executive Officer</u>	57
<u>Grants of Plan-Based Awards in Fiscal 2014</u>	58
<u>Outstanding Equity Awards at End of Fiscal 2014</u>	59
<u>Option Exercises and Stock Vested in Fiscal 2014</u>	60
<u>Potential Payments Upon Termination or Change in Control</u>	60
<u>Potential Payments Upon Termination or Change in Control Table</u>	63
<u>Equity Compensation Plan Information</u>	64
<u>Other Stock Plans</u>	65
<u>Compensation Program Risk Assessment</u>	66

OTHER MATTERS

Stockholder Proposals

Section 16(a) Beneficial Ownership Reporting Compliance

67

67

67

Table of Contents

PROXY SUMMARY

We provide highlights of certain information in this Proxy Statement. As it is only a summary, please refer to the complete Proxy Statement and 2014 Annual Report before you vote.

2014 ANNUAL MEETING OF STOCKHOLDERS

WHERE?	WHEN?	WHO MAY ATTEND & VOTE?
Red Hat's Corporate HQ: 100 East Davie Street Raleigh, North Carolina 27601	Thursday August 7, 2014 9:00 a.m.	Stockholders of record at the close of business on June 13, 2014

AGENDA ITEMS AND BOARD RECOMMENDATIONS

ITEM	RECOMMENDATION
1. Elect Sohaib Abbasi, Narendra K. Gupta, William S. Kaiser and James M. Whitehurst to the Board of Directors, each to serve for a one-year term	VOTE FOR
2. Ratify the selection of PricewaterhouseCoopers LLP as Red Hat's independent registered public accounting firm for the fiscal year ending February 28, 2015	VOTE FOR
3. Approve, on an advisory basis, a resolution relating to Red Hat's executive compensation	VOTE FOR

ELECTRONIC VERSIONS

This Proxy Statement, the accompanying proxy card and Red Hat's Annual Report to stockholders are available at:
www.edocumentview.com/RHT

Table of Contents

NAME	AGE	PRIMARY OCCUPATION	COMMITTEE MEMBERSHIP	EXPERIENCE & EXPERTISE	INDEPENDENT
DIRECTOR NOMINEES					
Sohaib Abbasi	57	Chairman, Chief Executive Officer and President of Informatica Corporation	Audit	IT Industry, Public Company Board, Senior Leadership	ü
Narendra K. Gupta	65	Managing Director of Nexus Venture Partners	Compensation, Nominating and Corporate Governance	Global, IT Industry, Public Company Board, Science and Technology	ü
William S. Kaiser	58	Managing Director, Greystone Management Corporation	Nominating and Corporate Governance (Chair)	Financial, IT Industry	ü
James M. Whitehurst	46	President and CEO of Red Hat, Inc.		Financial, Global, Senior Leadership	
DIRECTORS CONTINUING TO SERVE					
W. Steve Albrecht	67	Professor of Accounting, Brigham Young University, Marriott School of Management	Audit (Chair), Nominating and Corporate Governance	Financial, Public Company Board, Senior Leadership	ü
Jeffrey J. Clarke	52	Chief Executive Officer of Eastman Kodak Company	Audit, Compensation (Chair)	Global, IT Industry, Senior Leadership	ü
Marye Anne Fox	66	Chancellor Emerita of the University of California, San Diego	Compensation, Nominating and Corporate Governance	Public Company Board, Science and Technology, Senior Leadership	ü
Donald H. Livingstone	71	Teaching Professor (Retired), Brigham Young University, Marriott School of Management	Audit, Compensation	Financial, Public Company Board	ü
General H. Hugh Shelton	72	U.S. Army (Retired) and Former Chairman of the Joint Chiefs of Staff	Compensation	Global, Public Company Board, Senior Leadership	ü

Table of Contents

COMPANY PERFORMANCE AND EXECUTIVE COMPENSATION

In Fiscal 2014, Red hat delivered double-digit growth on revenue, operating income, operating cash flow, and stock price. The financial metrics below drive our performance compensation payouts.

Based on the performance of the Company and individual executives in Fiscal 2014, the Compensation Committee approved the following payouts under performance elements of our compensation program:

ANNUAL CASH BONUS PLAN payouts averaging 120% of target, based on financial goal achievement of 113% and average individual goal achievement of 141%;

OPERATING PERFORMANCE SHARE UNITS payouts at an average of 179% of target, based on growth in revenue and operating income relative to peer group companies; and

STOCK PERFORMANCE SHARE UNITS payouts at 100% of target, based on stock price growth over a three-year period relative to peer group companies.

RED HAT, INC. 2014 PROXY STATEMENT 3

Table of Contents

FISCAL 2014 COMPENSATION PAID TO OUR NAMED OFFICERS

NAME & PRINCIPAL POSITION	SALARY (\$)	BONUS (\$)	STOCK AWARDS (\$)	NON-EQUITY		TOTAL (\$)
				INCENTIVE PLAN COMPENSATION (\$)	ALL OTHER COMPENSATION (\$)	
James M. Whitehurst	800,000		4,678,954	1,205,630	7,968	6,692,552
President and Chief Executive Officer						
Charles E. Peters, Jr.	480,000		2,339,475	462,559	7,959	3,289,993
Executive Vice President and Chief Financial Officer						
Brian M. Stevens	438,161	1,500,000	5,637,646	356,831	7,670	7,940,308