

RED HAT INC
Form 8-K
May 24, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): May 18, 2016

Red Hat, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

001-33162

06-1364380

**(Commission
File Number)**

**(IRS Employer
Identification No.)**

100 East Davie Street, Raleigh, North Carolina
(Address of Principal Executive Offices)

27601
(Zip Code)

(919) 754-3700

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

(e) On May 18, 2016, the Compensation Committee of the Board of Directors (the Committee) of Red Hat, Inc. (the Company):

maintained the annual base salaries of the Company s principal executive officer, principal financial officer and other named executive officers (collectively, the Executive Officers) at the current levels;

established the target award percentages to be used to determine award amounts for the Company s fiscal year ending February 28, 2017 (FY2017) for the Executive Officers under the Company s Executive Variable Compensation Plan (EVCP);

established the financial performance objectives that will be used to determine the cash award amounts for the Executive Officers for FY2017 under the EVCP;

approved the performance objectives for use with grants of performance share units (PSUs) in FY2017 with payouts based on the Company s revenue and operating income (the Operating PSUs);

approved the performance objective for use with grants of PSUs in FY2017 with payouts based on the total shareholder return (TSR) provided by the Company s common stock (the TSR PSUs);

approved the use of the peer group (the Peer Group) to be used for measuring performance for PSUs to be awarded in FY2017; and

established the performance objective to be included in the form of award agreement to be used for grants of Restricted Stock Awards (RSAs) in FY2017.

Executive Base Salaries

The current annual base salaries for the Executive Officers are set forth on Exhibit 99.1 to this Current Report on Form 8-K (this Form 8-K).

FY2017 Target Awards under the EVCP

The target award percentages to be applied to the annual base salaries for the Executive Officers at the end of FY2017 are set forth on Exhibit 99.2 to this Form 8-K. These percentages will be used to determine the award amounts earned under the EVCP. Such award amounts will be payable in accordance with, and subject to, the requirements of the Company s Performance Compensation Plan approved by the Company s stockholders in August 2011 (the 2011 Performance Compensation Plan), including the maximum dollar amount that may be granted to an individual participant during a twelve-month period. For a discussion of the EVCP, see the Company s Current Report on Form 8-K filed with the Securities and Exchange Commission (the SEC) on May 16, 2007 (the May 2007 Form 8-K).

FY2017 Performance Objectives under the EVCP

The financial performance objectives for FY2017 under the EVCP are (a) a specified dollar amount of total revenues, (b) a specified dollar amount of cash flow from operations plus excess tax benefits from share-based payment arrangements and (c) a specified percentage of operating margin, excluding the impact of expense related to share-based payment arrangements and the amortization of intangible assets. The cash flow from operations and operating margin performance objectives are considered non-GAAP financial measures.

The revenue and operating margin performance objectives are based on a Euro/U.S. dollar exchange rate of 1.00 Euro: U.S.\$1.10 and a yen/ U.S. dollar exchange rate of 114 yen:U.S.\$1.00, and these objectives are subject to adjustment if actual exchange rates for these currencies differ from these assumed rates by 2% or more. Additionally, the following items shall be excluded in determining whether any financial performance objective has been satisfied for FY2017: the impact of acquisitions and divestitures approved by the Board of Directors, goodwill write-offs, restructuring charges, litigation and insurance settlement charges, the impact of discontinued operations and the cumulative effect of changes in tax laws or accounting procedures. The Committee has reserved the right to exercise negative discretion to limit or forego any of these exclusions and may adjust any financial performance objective for FY2017 in its discretion as permitted by Section VIII of the EVCP. For a discussion of the EVCP, see the May 2007 Form 8-K.

The Committee determined that 75% of a participant's target award amount will be based upon the financial performance objectives discussed above, and 25% of a participant's target award amount will be based on individual performance objectives or the achievement of individual goals, which may be objectively or subjectively determined (the Individual Objectives). Individual Objectives relate to strategy development, planning and/or implementation, corporate initiatives, executive development, operational improvements and succession planning. The Committee determined that each of the financial performance objectives discussed above will be weighted equally in calculating the financial component of the award, and, with respect to each financial metric and the Individual Objectives metric, payments range from 0-50% per metric.

Operating PSUs

The Committee approved the performance objectives to be used with, and authorized the grant to each Executive Officer of, an Operating PSU award. Each Operating PSU represents the right to receive in the future one share of the Company's common stock, or at the Company's election, the value of such share, according to a formula specified in, and subject to the terms and conditions of, the form of Operating PSU agreement (the "Operating PSU Agreement") filed as Exhibit 99.2 to the Company's Current Report on Form 8-K filed with the SEC on May 29, 2013 (the "May 2013 Form 8-K"). The summary of the terms of the Operating PSU Agreement in the May 2013 Form 8-K is incorporated by reference herein.

TSR PSUs

The Committee approved the performance objective to be used with, and authorized the grant to each Executive Officer of, a TSR PSU award. Each TSR PSU represents the right to receive in the future one share of the Company's common stock, or at the Company's election, the value of such share, according to a formula specified in, and subject to the terms and conditions of, the form of TSR PSU agreement (the "TSR PSU Agreement") filed as Exhibit 99.3 to the May 2013 Form 8-K. The summary of the terms of the TSR PSU Agreement in the May 2013 Form 8-K is incorporated by reference herein.

Peer Group

The Peer Group approved by the Committee to be used to measure performance for each of the Operating PSU and the TSR PSU awards in FY2017 is set forth on Exhibit 99.3 to this Form 8-K.

RSAs

The Committee authorized the grant to each Executive Officer of a RSA award, subject to the terms and conditions of the form of RSA Agreement (the "RSA Agreement") filed as Exhibit 99.5 to the May 2013 Form 8-K. An executive's right to receive the shares subject to a RSA award is subject to achievement of a specified dollar amount of revenues established by the Committee as the performance objective for FY2017 under the Company's 2011 Performance Compensation Plan (the "RSA Performance Goal"). If the Company fails to achieve the RSA Performance Goal for FY2017, then all shares of restricted stock subject to the award are forfeited. If the Company achieves the Performance Goal for FY2017, 25% of the restricted stock vests on July 16, 2017, or if that date is not a business day, the next business day thereafter, and the remainder vests ratably on a quarterly basis over the course of the subsequent three-year period, provided that the executive's Business Relationship with the Company has not ceased.

Capitalized terms not defined in this summary are defined in the form of RSA award agreement filed as Exhibit 99.5 to the May 2013 Form 8-K. The foregoing description of the terms of the RSA Agreement does not purport to be complete and is qualified in its entirety by the provisions of the form of RSA Agreement filed as Exhibit 99.5 to the May 2013 Form 8-K and incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

See Exhibit Index attached hereto.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: May 24, 2016

RED HAT, INC.

By: /s/ R. Brandon Asbill

Name: R. Brandon Asbill

Title: Assistant Secretary

EXHIBIT INDEX

Exhibit No.	Description
99.1	Current Executive Base Salaries
99.2	Target Award Percentages under Red Hat, Inc. s Executive Variable Compensation Plan for the Fiscal Year Ending February 28, 2017
99.3	Peer Group for PSUs Granted in FY2017