

SHELTON GENERAL HENRY HUGH  
 Form 4  
 August 15, 2006

**FORM 4**

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549

OMB APPROVAL

OMB Number: 3235-0287  
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
 SHELTON GENERAL HENRY HUGH

(Last) (First) (Middle)

C/O RED HAT, INC., 1801 VARSITY DRIVE

(Street)

RALEIGH, NC 27606

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
 RED HAT INC [RHAT]

3. Date of Earliest Transaction (Month/Day/Year)  
 08/14/2006

4. If Amendment, Date Original Filed (Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director  10% Owner  
 Officer (give title below)  Other (specify below)

6. Individual or Joint/Group Filing (Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Beneficial Ownership (Instr. 4)
				(A) or (D) Code V Amount (D) Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Underlying (Instr. 3 and 4)

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	Price of Derivative Security	(Month/Day/Year)	(Instr. 8)	Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title
Deferred Stock Units	\$ 0	08/14/2006			A		1,750		08/14/2006 <sup>(1)</sup>	08/14/2011 <sup>(1)</sup>	Common Stock <sup>(2)</sup>
Non-Employee Director Non Qualified Stock Option	\$ 22.92	08/14/2006			A		5,000		08/14/2006 <sup>(3)</sup>	08/14/2011	Common Stock
Deferred Stock Units	\$ 0	08/15/2006			A		244		08/15/2006 <sup>(4)</sup>	08/15/2006 <sup>(4)</sup>	Common Stock <sup>(2)</sup>

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SHELTON GENERAL HENRY HUGH C/O RED HAT, INC. 1801 VARSITY DRIVE RALEIGH, NC 27606	X			

## Signatures

Emily DelToro, Atty in Fact  
UPOA 08/15/2006

\_\_Signature of Reporting Person

Date

## Explanation of Responses:

\* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

This DSU was granted pursuant to Red Hat's 2004 Independent Director Plan, in lieu of partial stock option grant, and is fully vested as of the date of grant. The DSU will be paid out in cash or common stock at the election of Red Hat, Inc. on the earlier of September 7, 2007 (the deferral date designated by the Reporting Person) or upon termination of the Reporting Person's Board of Director service.

(2) This DSU is payable in either cash or common stock at the election of Red Hat, Inc.

(3) This option constitutes an annual service grant and is fully vested on the date of grant.

This DSU was granted pursuant to Red Hat's 2004 Independent Director Plan, in lieu of cash compensation, and is fully vested as of the date of grant. The DSU will be paid out in cash or common stock at the election of Red Hat, Inc. on the earlier of December 3, 2007 (the deferral date designated by the Reporting Person) or upon termination of the Reporting Person's Board of Director service.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

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