MAXTED BRIAN F
Form 4
March 18, 2013

FORM 4

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

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

OMB APPROVAL

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(Print or Type Responses)

1. Name and Address of Reporting Person [*]
MAXTED BRIAN F

(Last) (First) (Middle)

C/O KOSMOS ENERGY, LLC, 8176 PARK LANE, SUITE 500

(Street)

DALLAS, TX 75231

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Kosmos Energy Ltd. [KOS]

3. Date of Earliest Transaction (Month/Day/Year)
03/15/2013

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Director and CEO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ 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 Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Shares	03/15/2013		S (1)		161,270	D	$ 11 (2)	5,934,866	D	
Common Shares								6,729,864	I	See footnote (3)

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 Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MAXTED BRIAN F C/O KOSMOS ENERGY, LLC 8176 PARK LANE, SUITE 500 DALLAS, TX 75231	X		Director and CEO	

Signatures

/s/ Phillip Feiner, as Attorney-in-Fact	03/18/2013
**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).
(1)	Sale of shares pursuant to an over-allotment option exercised by underwriters in connection with a registered underwritten secondary offering.
(2)	The reported price is the price to the public in the secondary offering before underwriting discounts, fees and expenses.
(3)	These shares are directly owned by Maxted Family Investments, Ltd., an entity controlled by the reporting person. The reporting person disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. m: medium none;">
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Audit-Related Fees

	27	23
Tax Fees	—	5
All Other Fees	—	—
Total	$ 490	$ 530

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Audit Fees for the fiscal years ended August 30, 2006, and August 31, 2005, were for professional services in connection with the audits of the annual consolidated financial statements of the Company, review of financial statements included in the Company's Quarterly Reports on Form 10-Q, and consents and assistance with the review of documents filed with the Securities and Exchange Commission.

Audit-Related Fees for the fiscal years ended August 30, 2006, and August 31, 2005, were in connection with the Company’s performance of Sarbanes-Oxley Section 404 implementation and attestation procedures.

Tax Fees for the fiscal years ended August 30, 2006, and August 31, 2005, were for services related to the review of the Company’s federal income tax returns.

All Other Fees for the fiscal year ended August 30, 2006 were for services related to the Company’s additional filings during the year. All Other Fees are not applicable for the fiscal year ended August 31, 2005.

The Finance and Audit Committee has considered whether the provision of the above services other than audit services is compatible with maintaining Ernst & Young LLP's independence.

Preapproval Policies and Procedures

All auditing services and nonaudit services provided by Grant Thornton LLP must be preapproved by the Finance and Audit Committee. Generally, this approval will take place each year at the August meeting of the Finance and Audit Committee for the subsequent fiscal year and as necessary during the year for unforeseen requests. The nonaudit services specified in Section 10A(g) of the Securities Exchange Act of 1934 may not be, and are not, provided by Grant Thornton LLP. Grant Thornton LLP will provide a report to the Chair of the Finance and Audit Committee prior to each regularly scheduled Finance and Audit Committee meeting detailing all fees, by project, incurred by Grant Thornton LLP year-to-date and an estimate for the fiscal year. The Chair of the Finance and Audit Committee will review the Grant Thornton LLP fees at each Finance and Audit Committee meeting. The Finance and Audit Committee will periodically review such fees with the full Board of Directors. The de minimis exception was not used for any fees paid to Ernst & Young LLP while serving as the Company’s auditor.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF GRANT THORNTON LLP.

SHAREHOLDER PROPOSAL (Item 3)

The proponent of the following shareholder proposal has notified the Company that he intends to cause the proposal set out below to be presented at the Annual Meeting. If the proponent, or a representative of the proponent who is qualified under state law, is present and submits the proposal for a vote, then the proposal will be voted upon at the Annual Meeting. In accordance with federal securities regulations, we have included the proposal and its supporting statement exactly as submitted by the proponent. We are not responsible for the truthfulness or accuracy of any of the material provided by the proponent. The following proposal contains assertions that, in the judgment of the Board, are incorrect and in many cases are based solely on opinion and are not supported by fact. Rather than recite all of these inaccuracies and refute each of these assertions, the Board has recommended a vote "AGAINST" the proposal for the broader policy reasons set forth following the proponent's proposal.

Proponent's Proposal

"RESOLVED: That the stockholders of Luby's, Inc., assembled in annual meeting in person or by proxy, hereby request that the Board of Directors take the needed steps to provide that at future elections of directors, new directors be elected annually and not by classes, as is now provided, and that on expiration of present terms of directors, their subsequent elections shall also be on an annual basis."

REASONS

Luby's shareholders believe that the board of directors should be declassified, as evidenced by a majority of the votes cast in 2001, 2003, 2004, 2005, and 2006. Unfortunately, our directors have routinely dismissed the majority vote of shareholders cast for this proposal, yet they continue to welcome and accept a vote from most of the same shareholders for their election to office. These shareholders have affirmed the proponent's belief that classification of the board of directors is not in the best interest of Luby's, Inc. because it makes a board less accountable when all directors do not stand for election each year. The annual election of directors fosters board independence, a crucial element of good governance.

Mathis proposals on this and related issues have preceded board sponsored recommendations at Freeport-McMoRan, McMoRan Exploration, First Energy, Honeywell, Baker Hughes, Intermec, Inc., Reliant Energy, and Tidewater, Inc.

The majority of all S&P 500 companies now elect their entire board annually.

THE CURRENT TREND IS AWAY FROM STAGGERED BOARDS

Our board continues to ignore this trend and four past majority votes supporting similar proposals.

· Consider the Boards arguments in opposition to this proposal---Luby's 80% super majority rule, and the claim of significant benefit to shareholders, while 59.08% of shareholders casting votes (in 2006) disagreed with the Board's defense of a staggered system.

· Consider, In light of current trends reflecting better corporate governance, the Board's defense of a classified system approved fifteen years ago in 1991.

If you are tired of the same old stale rhetoric in opposition to this proposal and the Board's refusal to submit a binding proposal to shareholders, please vote **YES** for this initiative submitted by Harold Mathis with an address of P.O. Box 1209, Richmond, Texas 77046-1209, to elect each director annually.

PLEASE MARK YOUR PROXY IN FAVOR OF THIS PROPOSAL.

Board's Statement Opposing the Proposal

In 1991, the Company's shareholders approved the current classification system for the Board, dividing the Board into three equal or nearly equal classes, each to serve for a term of three years, with one class elected each year. The staggered election of directors is a common practice that has been approved by the shareholders of many corporations.

The Board believes that a classified board provides for continuity and stability and enhances the Board's ability to implement the Company's long-term strategy and to focus on long-term performance. Each current member of the Board brings valuable knowledge and experience to the Company and a majority of the directors at any given time will have prior experience as directors of the Company and will be familiar with the Company's business strategies and operations. The Board values the wisdom and insight that come with the knowledge of its directors. The Board believes that a de-classified Board would risk losing the core knowledge of the Company inherent in the Board of Directors without the opportunity to obtain such knowledge and experience. A classified Board permits a more orderly process for directors to consider, in the exercise of their fiduciary responsibilities, any and all alternatives to maximize shareholder value. Directors have fiduciary duties that do not depend on how often they are elected. Directors who are elected to three-year terms are just as accountable to shareholders as directors who are elected on an annual basis. In addition, because a classified Board makes it more difficult for a substantial shareholder to change the entire Board abruptly without the cooperation of the incumbent Board, it enhances the ability of the Board to consider whether initiatives proposed by such a substantial shareholder are in the best interests of the Company and all of its shareholders.

The proponent presented this proposal at prior annual meetings of shareholders. Although the proposal received support, in all such years the proposal received far less than the 80% of the outstanding shares necessary to amend the specific section of the Company's certificate of incorporation addressing the election of directors to require annual elections.

Shareholders should be aware that approval of the proposal would not declassify the Board. To declassify the Board, the Board must propose to the shareholders an amendment to the relevant section of the certificate of incorporation, following which 80% of the total outstanding shares of common stock must approve the proposed amendment at a subsequent meeting of shareholders. Any shareholder approval of this proponent's proposal at the Annual Meeting would be only a recommendation to the Board.

Subsequent to each of the last five annual meetings of shareholders, the Board has reviewed the corporate governance structure of the Company, including the structure and function of the Board and its committees. In addition, the Board spent considerable time to extensively evaluate the proposal. As a result of this review and evaluation, the Board has concluded that the classification of director terms continues to provide significant benefits to the Company's shareholders.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "AGAINST" THE SHAREHOLDER PROPOSAL.

CORPORATE GOVERNANCE

COMMITEES OF THE BOARD OF DIRECTORS

The Board currently has the following committees: Finance and Audit, Nominating and Corporate Governance, Personnel and Administrative Policy, Executive Compensation, and Executive. All committees meet as necessary to fulfill their responsibilities. The Board has directed each committee to consider matters within its areas of responsibility and to make recommendations to the full Board for action on these matters. Only the Executive Committee is empowered to act on behalf of the Board, and the specific powers of that committee may be exercised only in extraordinary circumstances. The Board of Directors held four regular meetings and three special meetings during the fiscal year ended August 30, 2006. Each director attended more than 85% of the aggregate of all meetings of the Board and the committees of the Board on which he or she served during the last fiscal year.

Finance and Audit Committee

The Finance and Audit Committee is a standing audit committee established to oversee the Company's accounting and financial reporting processes and the audit of the Company's financial statements. Its primary functions are to monitor and evaluate corporate financial plans and performance and to assist the Board in monitoring (1) the integrity of the financial statements of the Company; (2) the Company’s compliance with legal and regulatory requirements; (3) the independent auditor's qualifications and independence; and (4) the performance of the Company's internal audit function and its independent auditor. Management is responsible for preparing the financial statements, and the independent auditor is responsible for auditing those financial statements. The Finance and Audit Committee is also directly responsible for the appointment, compensation, retention, and oversight of the work of the Company's independent auditor and the preparation of the Finance and Audit Committee Report below. A copy of the current Finance and Audit Committee Charter adopted by the Board is available on the Company's website at www.lubys.com. All members of the Finance and Audit Committee are independent directors as described below. The Finance and Audit Committee met eleven times during the last fiscal year.

The Board determined that Gasper Mir, III and Joe C. McKinney are "audit committee financial experts" as defined in rules of the Securities and Exchange Commission adopted pursuant to the Sarbanes-Oxley Act of 2002.

At least quarterly, Committee members have the opportunity to meet privately with representatives of the Company's independent auditor and with the Company's Director of Internal Audit.

The members of the Finance and Audit Committee are: Joe C. McKinney (Chair); J.S.B. Jenkins (Vice-Chair); Arthur R. Emerson; and Gasper Mir, III.

Nominating and Corporate Governance Committee

The primary functions of the Nominating and Corporate Governance Committee are (1) to maintain oversight of the development, structure, performance, and evaluation of the Board; (2) to seek and recommend candidates to fill vacancies on the Board; and (3) to recommend appropriate Board action on renewal terms of service for incumbent members as their terms near completion. A copy of the current Nominating and Corporate Governance Committee Charter is available on the Company's website at www.lubys.com. All members of the Nominating and Corporate Governance Committee are independent directors as described below. The Nominating and Corporate Governance Committee met three times during the last fiscal year.

The members of the Nominating and Corporate Governance Committee are: Gasper Mir, III (Chair); Judith B. Craven (Vice-Chair); J.S.B Jenkins; and Joe C. McKinney.

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Personnel and Administrative Policy Committee

The primary functions of the Personnel and Administrative Policy Committee are to monitor and evaluate the policies and practices of (1) human resource management and administration; (2) management development; (3) non-executive officer compensation and benefits (other than Board and executive compensation); (4) retirement/savings and investment plan administration; (5) marketing and public relations strategies; (6) safety and security policies; and (7) investor relations and communications on matters other than financial reporting. The Personnel and Administrative Policy Committee met six times during the last fiscal year.

None of the members of the Committee is an officer or employee, or a former officer or employee of the Company, except Messrs. Woliver and Pappas. Mr. Woliver retired as an officer and employee of the Company in 1997, and Mr. Pappas is currently Chief Operating Officer of the Company.

The members of the Personnel and Administrative Policy Committee are: Judith B. Craven (Chair); Jill Griffin (Vice-Chair); Frank Markantonis; Harris J. Pappas; and Jim W. Woliver.

Executive Compensation Committee

The primary functions of the Executive Compensation Committee are (1) to discharge the Board's responsibilities relating to compensation of the Company's executives and its Board and (2) to communicate to shareholders the Company's executive compensation policies and the reasoning behind such policies. The Executive Compensation Committee may delegate its responsibilities to a subcommittee consisting of one or more of its members. The Executive Compensation Committee Charter is available on the Company's website at www.lubys.com. All members of the Executive Compensation Committee are independent directors as described below. The Executive Compensation Committee met five times during the last fiscal year.

The members of the Executive Compensation Committee are: J.S.B. Jenkins (Chair); Judith B. Craven (Vice-Chair); Jill Griffin; and Jim W. Woliver.

Executive Committee

The primary functions of this Committee are (1) to facilitate action by the Board between meetings of the Board; and (2) to develop and periodically review the Company's Corporate Governance Guidelines and recommend such changes as may be determined appropriate to the Board so as to reflect the responsibilities of the Board and the manner in which the enterprise should be governed in compliance with best practices. The Executive Committee did not meet during the last fiscal year.

The members of the Executive Committee are: Gasper Mir, III (Chair); Judith B. Craven (Vice-Chair); Joe C. McKinney; J.S.B. Jenkins; Christopher J. Pappas; and Harris J. Pappas.

NOMINATIONS FOR DIRECTOR

Qualifications and Process

The Nominating and Corporate Governance Committee considers candidates for Board membership suggested by its members and other Board members, as well as management and shareholders. The Committee may retain a third-party search firm to assist it in identifying candidates.

Once the Nominating and Corporate Governance Committee has identified a prospective nominee, the Committee makes an initial determination as to whether to conduct a full evaluation of the candidate. The initial determination is based on the information provided to the Committee with the recommendation of the prospective candidate, as well as the Committee's own knowledge of the prospective candidate, which may be supplemented by inquiries of the person making the recommendation or others. The preliminary determination is based primarily on the need for additional Board members to fill vacancies or expand the size of the Board and the likelihood that the prospective nominee can satisfy the evaluation factors described below.

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If the Committee determines, in consultation with the Board, as appropriate, that additional consideration is warranted, it may request a third-party search firm to gather additional information about the prospective nominee's background and experience and report its findings to the Committee. The Committee then evaluates the prospective nominee against the standards and qualifications set out in the Company’s Corporate Governance Guidelines and the charter of the Nominating and Corporate Governance Committee, including:

- a candidate's expertise and experience;
- independence (as defined by applicable New York Stock Exchange and SEC rules);
- financial literacy and understanding of business strategy, business environment, corporate governance, and board operation knowledge;
- commitment to our core values;
- skills, expertise, independence of mind, and integrity;
- relationships with the Company;
- service on the boards of directors of other companies;
- openness, ability to work as part of a team and willingness to commit the required time; and
- familiarity with the Company and its industry.

The Nominating and Corporate Governance Committee also considers the diversity of, and the optimal enhancement of the current mix of talent and experience on, the Board and other factors as it deems relevant, including the current composition of the Board, the balance of management and independent directors, and the need for Audit Committee expertise.

In connection with its evaluation, the Committee determines whether to interview the prospective nominee; in addition, if warranted, one or more members of the Committee, and others as appropriate, may interview prospective nominees in person. After completing this evaluation and interview, the Committee makes a recommendation to the full Board as to the persons who should be nominated by the Board, and the Board determines the nominees after considering the recommendation and report of the Committee.

The Company did not pay any third party a fee to assist in the process of identifying or evaluating nominees for election at the Annual Meeting. The Company did not receive any director candidates for election at the Annual Meeting put forward by a shareholder or group of shareholders who beneficially own more than five percent of the Company’s common stock, other than Christopher J. Pappas as stated above. All nominees for election as directors at the Annual Meeting are incumbent directors of the Company standing for re-election.

Submission of Shareholder Nominations to the Board of Directors

A shareholder who wishes to recommend a prospective nominee for election to the Board should send the recommendation to the attention of the Corporate Secretary or any member of the Nominating and Corporate Governance Committee in care of the Corporate Secretary, at Luby's, Inc., 13111 Northwest Freeway, Suite 600, Houston, Texas 77040. The notice should include any supporting material the shareholder considers appropriate. The Nominating and Corporate Governance Committee will also consider whether to recommend for nomination any person nominated by a shareholder pursuant to the provision of our bylaws relating to shareholder nominations as described in "Director Nominations For 2007 Annual Meeting", beginning on page .

CORPORATE GOVERNANCE GUIDELINES

The Company maintains Corporate Governance Guidelines evidencing the views of the Company on such matters as the role and responsibilities of the Board, composition of the Board, Board leadership, functioning of the Board, functioning of committees of the Board, and other matters. These guidelines are reviewed annually and modified when deemed appropriate by the Board. The current version of the Company's Corporate Governance Guidelines can be found on the Company's website at http://www.lubys.com/corporategovernanceguidelines.asp.

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Director Attendance at Annual Meetings

Although the Company does not have a formal policy regarding director attendance at its annual meetings of shareholders, all of the Company's directors attended the 2006 annual meeting, and the Company expects all continuing members will be present for the 2007 Annual Meeting.

Presiding Director

The Chairman of the Board of Directors currently presides over the executive sessions of non-management directors. If the offices of Chief Executive Officer and Chairman are not separate or, for any other reason, the Chairman is not independent, the independent directors will elect one of the independent directors to preside over the executive sessions of non-management directors.

Director Independence

The Board has affirmatively determined that the following directors are "independent" directors under the Luby's Director Independence Test: Judith B. Craven; Arthur R. Emerson; Jill Griffin; J.S.B. Jenkins; Joe C. McKinney; Gasper Mir, III; and Jim W. Woliver. The Luby's Director Independence Test is available on the Company's website at www.lubys.com.

Code of Conduct and Ethics for All Directors, Officers, and Employees

The Board has adopted a Policy Guide on Standards of Conduct and Ethics, which is applicable to all directors, officers, and employees. The intent of the Policy Guide on Standards of Conduct and Ethics is to promote observance of fundamental principles of honesty, loyalty, fairness, and forthrightness and adherence to the letter and spirit of the law. Waivers of any part of the Policy Guide on Standards of Conduct and Ethics for any director or executive officer are permitted only by a vote of the Board or a designated Board committee that will ascertain whether a waiver is appropriate under all the circumstances. The Company intends to disclose any waivers of the Policy Guide on Standards of Conduct and Ethics granted to directors and executive officers on the Company's website at www.lubys.com.

Copies of the Policy Guide on Standards of Conduct and Ethics are available in print to shareholders upon request or on the Company's website at www.lubys.com.

Code of Ethics for the Chief Executive Officer and Senior Financial Officers

The Board has adopted a Supplemental Standards of Conduct and Ethics that apply to the Company's Chief Executive Officer, Chief Financial Officer, Controller, and all senior financial officers ("Senior Officers' Code"). The Senior Officers' Code is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely, and understandable disclosure in reports and documents that the Company files with, or submits to, the Securities and Exchange Commission and in other public communications made by the Company;
- compliance with governmental laws, rules, and regulations;
- the prompt internal reporting to an appropriate person or persons identified in the Senior Officers' Code of violations of the Senior Officers' Code; and
- accountability for adherence to the Senior Officers' Code.

Waivers of the Senior Officers' Code for the Chief Executive Officer, Chief Financial Officer, and the Controller are permitted only by a vote of the Board or a designated Board committee that will ascertain whether a waiver is appropriate under all the circumstances. The Company intends to disclose any waivers of the Senior Officers' Code granted to the Chief Executive Officer, Chief Financial Officer, or the Controller on the Company's website at www.lubys.com.

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Copies of the Senior Officers' Code are available in print to shareholders upon request or on the Company's website at www.lubys.com.

Receipt and Retention of Complaints Regarding Accounting and Auditing Matters

To facilitate the reporting of questionable accounting, internal accounting controls or auditing matters, the Company has established an anonymous reporting hotline through which employees can submit complaints on a confidential and anonymous basis. Any concerns regarding accounting, internal accounting controls, auditing, or other disclosure matters reported on the hotline are reported to the Chairman of the Finance and Audit Committee. These reports are confidential and anonymous. Procedures are in place to investigate all reports received by the hotline relating to questionable accounting, internal accounting controls, or auditing matters and to take any corrective action, if necessary. The Board is notified of these reports at every quarterly Board meeting, or sooner if necessary.

Any person who has concerns regarding accounting, internal accounting controls, or auditing matters may address them to the attention of Chairman, Finance and Audit Committee, Luby's, Inc., 13111 Northwest Freeway, Suite 600, Houston, Texas 77040.

Nonretaliation for Reporting

The Company's policies prohibit retaliation against any director, officer, or employee for any report made in good faith. However, if the reporting individual was involved in improper activity, the individual may be appropriately disciplined even if he or she was the one who disclosed the matter to the Company. In these circumstances, the Company may consider the conduct of the reporting individual in promptly reporting the information as a mitigating factor in any disciplinary decision.

Shareholder Communications to the Board of Directors

Shareholders and other parties interested in communicating directly with the Chairman of the Board, the non-management directors as a group or the Board itself regarding the Company may do so by writing to the Chairman of the Board, in care of the Corporate Secretary at Luby's, Inc., 13111 Northwest Freeway, Suite 600, Houston, Texas 77040. Instructions on how to communicate with the Board are also available on the Company’s Investor Relations website, which can be reached through a link at http://www.lubys.com/06aboutusinvestor.asp.

The Board has approved a process for handling letters received by the Company and addressed to non-management members of the Board. Under that process, the Company’s Corporate Secretary reviews all such correspondence that, in the opinion of the Corporate Secretary, deals with the function of the Board or committees thereof or that the Corporate Secretary otherwise determines requires the Board’s attention. Directors may at any time request copies of all correspondence received by the Company that is addressed to members of the Board. Concerns relating to accounting, internal controls or auditing matters are immediately brought to the attention of the Company’s internal audit department and handled in accordance with procedures that the Finance and Audit Committee has established with respect to such matters.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, executive officers, and any persons beneficially owning more than ten percent of the Company's common stock to report their initial ownership of the Company's common stock and any subsequent changes in that ownership to the Securities and Exchange Commission and the New York Stock Exchange, and to provide copies of such reports to the Company. Based upon the Company's review of copies of such reports received by the Company and written representations of its directors and executive officers, the Company believes that during the year ended August 30, 2006, all Section 16(a) filing

requirements were satisfied on a timely basis.
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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On July 23, 2002, the Company entered into an Indemnification Agreement with each member of the Board of Directors under which the Company obligated itself to indemnify each director to the fullest extent permitted by applicable law so that he or she will continue to serve the Company free from undue concern regarding liabilities. The Company has also entered into an Indemnification Agreement with each person becoming a member of the Board of Directors since July 23, 2002. The Board of Directors has determined that uncertainties relating to liability insurance and indemnification have made it advisable to provide directors with assurance that liability protection will be available in the future.

The Company obtains certain services from entities owned or controlled by Christopher J. Pappas, President and Chief Executive Officer of the Company, and Harris J. Pappas, Chief Operating Officer of the Company (the “Pappas Entities”), pursuant to the terms of a Master Sales Agreement dated July 23, 2002 and renewed on December 6, 2005. The types of services periodically provided to the Company by these entities are the supply of goods and other services necessary for the operation of the Company. An Affiliate Services Agreement between Luby’s and the Pappas Entities expired on December 31, 2005 and was not renewed. During the 2006 fiscal year, the Pappas Entities provided goods to the Company under the Master Sales Agreement in the amount of approximately $107,479. Consistent with past practices, the Finance and Audit Committee of the Board of Directors reviewed on a quarterly basis all applicable amounts related to either the Master Sales Agreement or the Affiliate Services Agreement. That committee consists entirely of nonemployee directors.

The Company anticipates that payments to the Pappas Entities under the Master Sales Agreement during the current fiscal year will not exceed $500,000. Such payments will be primarily for goods purchased pursuant to the terms of the Master Sales Agreement. In the opinion of the Finance and Audit Committee, the fees paid by the Company for such goods and/or services are primarily at or below what the Company would pay for comparable goods and/or services (if available) from a party unaffiliated with the Company.

The Company leases real property from the Pappas Entities under a separate agreement, dated September 28, 2001 and amended as of May 20, 2003, for use as the Company's service center.
From September 1, 2006, through November 30, 2006, the Company incurred lease costs for the service center in the amount of $32,597, including rent and utilities. The Company has contracted to pay $6,800 per month in rent under the lease agreement to the Pappas Entities during the current fiscal year. The Company is obligated under the lease agreement to pay all related repairs and maintenance, insurance, and pro-rata portion of utilities. The current term of this lease is month-to-month.

The Company previously leased a location from an unrelated third party. That location is used to house increased equipment inventories resulting from prior store closures. The Company considered it more prudent to lease this location rather than to pursue purchasing a storage facility, as its strategy is to focus its capital expenditures on its operating restaurants. In a separate transaction, the third-party property owner sold the location to the Pappas Entities during the fourth quarter of fiscal 2003, with the Pappas Entities becoming the Company's landlord for that location effective August 1, 2003. The storage site complements the Company's Houston service center with approximately 27,000 square feet of warehouse space. The Company paid approximately $66,708 under this lease arrangement in fiscal 2006. From September 1, 2006, through November 30, 2006, the Company incurred lease costs for the storage site of approximately $16,677. The Company has contracted to pay $5,559 per month in rent pursuant to this lease agreement to the Pappas Entities during the current fiscal year. The Company is obligated under the lease agreement to pay all related repairs and maintenance, insurance, and pro-rata portion of utilities. The current term of this lease is month-to-month.

Late in the third quarter of fiscal 2004, Messrs. Pappas became partners in a limited partnership which purchased a retail strip center in Houston, Texas. Messrs. Pappas own a 50% limited partner interest and a 50% general partner interest in the limited partnership. A third party company manages the center. One of the Company's restaurants has rented approximately 7% of the space in that center since July of 1969. No changes were made to the Company's lease terms as a result of the transfer of ownership of the center to the new partnership. The Company made payments of $265,676 during the fiscal year ended August 30, 2006, and $66,657 from September 1, 2006 to November 30, 2006 under the lease agreement. On November 22, 2006, the Company executed a new lease agreement with respect to this property.

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The new lease agreement provides for a primary term, beginning in the calendar year 2008, of approximately 12 years with two subsequent five-year options, and it gives the landlord an option to buy out the tenant on or after the calendar year 2015 by paying the then unamortized cost of improvements to the tenant. The Company will owe, under the lease, $16.65 per square foot plus maintenance, taxes, and insurance for the calendar year 2008. Thereafter, the lease provides for reasonable increases in rent at set intervals. All amendments to this lease were approved by the Finance and Audit Committee.

The Company currently holds treasury shares that have been reserved for (1) the issuance of shares to Messrs. Pappas upon exercise of the options granted to them on March 9, 2001, and (2) the issuance of shares under the Company's Nonemployee Director Phantom Stock Option Plan. In accordance with an agreement between Messrs. Pappas and the Company dated June 7, 2004, Christopher and Harris Pappas agreed to limit their exercise of stock options to a number that will ensure the "net treasury shares available" are not exceeded. The New York Stock Exchange has authorized the listing of up to 2,240,000 additional shares of the Company's common stock, which would permit the full exercise of the options granted to Messrs. Pappas.

EXECUTIVE COMPENSATION COMMITTEE REPORT

Compensation Objectives

The Company's executive compensation program is designed to enable the Company to execute its business objectives by attracting, retaining, and motivating the highest quality of management talent. The program serves to incent and reward executive performance that leads to long-term enhancement of shareholder value and to encourage the executives to deliver such performance and to continue with the Company for the long-term. The Executive Compensation Committee annually evaluates the effectiveness of the Company's executive compensation program in meeting its objectives. The Executive Compensation Committee annually advises the Board on the compensation to be paid to the Company's executive officers and approves the compensation for executive officers. The Committee evaluates compensation with reference to the Company's performance for the prior fiscal year, competitive compensation data, subjective evaluation of each executive's contribution to the Company's performance, each executive's experience, responsibilities, and management abilities. The Company's executive compensation program currently consists of the elements summarized below.

Base Salaries

The Company seeks to compensate executives for their performance throughout the year with annual base salaries that are fair and competitive while being consistent with the Company's position in the foodservice industry. Such annual base salaries currently fall in the 50th to 75th percentile of Marketplace Base Salaries for persons of similar responsibility and scope. The Company defines the relative labor market for such executive talent through the use of peer and market data. Base salaries are reviewed annually or biannually to ensure continuing consistency with the industry and the Company's level of performance during the previous fiscal year. Future adjustments to base salaries and salary ranges will reflect average movement in the competitive market as well as individual performance. Any base salary increase awarded to an executive reflects the Company's financial performance, individual performance, and potential changes in the officer's duties and responsibilities.

Salaries of the Chief Executive Officer and Chief Operating Officer are fixed according to each officer's employment agreement, leaving only the incentive and equity compensation for these officers within the discretion of the Committee. See "—Employment Agreements" and "—Compensation of Chief Executive Officer" beginning on page . Members of the Committee, along with members of the Finance and Audit Committee, were involved in advising the Board on the appropriateness and reasonableness of the compensation packages for these executive officers.

Annual Incentive Compensation

The Company’s Annual Incentive Compensation Plan directly links annual incentive payments to the achievement of pre-determined and Board-approved financial and operating goals. Corporate and individual performance objectives are established near the beginning of each fiscal year. If earned, the annual incentive compensation paid to each executive in the form of a cash bonus will vary according to the Company’s overall financial performance. Annual bonuses are determined by the Company's performance relative to pre-determined goals that are based on same store sales (35%), earnings before interest, taxes, depreciation and amortization (55%) and by the executive's performance relative to individually set personal goals for the fiscal year (10%).

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Long-Term Incentive Compensation

Long-term incentive compensation in the form of equity grants of the Company's common stock, such as incentive stock option grants and grants of restricted stock, are used to (1) incent performance that leads to enhanced shareholder value, (2) encourage retention, and (3) closely align the executive's interests with shareholders' long term interests. The expected present value of these incentives is calculated using the binomial pricing method. The size of stock option and restricted stock grants is determined relative to the Company's size and its market, employee qualifications and position, as well as peer data.

The Executive Compensation Committee administers the Company's stock option, ownership, and other equity-based compensation plans to the Named Executive Officers (as
defined in "Summary Compensation Table" beginning on page). The Executive Compensation Committee typically considers the grants of incentive stock options to eligible executive officers and other officers on an annual basis. The options, which typically vest in installments over six years, are typically granted at market price of the Company's stock on the date of grant and provide compensation to the optionee only to the extent the market price of the stock increases between the date of grant and the date the option is exercised. Options are intended to provide long-term compensation tied specifically to increases in the price of the Company's common stock. The number of option shares granted each year is typically determined by a formula using a dollar amount divided by the option's exercise price.

All grants require Board approval, and are typically presented at the first regularly scheduled Board meeting following the disclosure of year-end results. Neither the Company nor the Committee has a program, plan, or practice to time option grants to its executives in coordination with the release of material nonpublic information. Any stock options grants made to non-executive employees typically will occur concurrently with grants to Named Executive Officers.

Stock Ownership Guidelines

The Board of Directors has adopted guidelines for ownership of the Company's common stock by executives and directors to help demonstrate the alignment of the interests of the Company's executives and directors with the interests of its shareholders. The amount of stock in which a particular executive is required to hold is determined relative to the executive's position with the Company. The guidelines provide that executives and directors are expected to attain the following levels of stock ownership within five years of their election to the specified director or officer position:

Position	**Share Ownership**
Chief Executive Officer	4 times annual base salary
President and Senior Vice President	2 times annual base salary
Vice President	Equal to annual base salary
Nonemployee Director	Shares with a market value of at least $100,000

Phantom stock and stock equivalents in the nonemployee director deferred compensation plan are considered common stock for purposes of the guidelines, as they are essentially awarded in lieu of cash compensation for Board services.

Use of Third Party Compensation Consultant

In fiscal 2006, as in prior years, the Company engaged a third-party compensation consultant, Towers Perrin, to provide an assessment of the Company's compensation structure for all of its officer and director positions and to evaluate their compensation relative to the marketplace. Towers Perrin directly engaged the Committee on at least one occasion and met with members of Management.

Towers Perrin relied on its own annual incentive plan design surveys, its experience with general industry companies with annual revenues similar to that of the Company, and research from the proxy statements of companies considered peers of the Company. Towers Perrin developed marketplace base salary, target annual incentive opportunity, target total annual compensation, actual total annual compensation, long term incentive award level, target total direct compensation, and actual total direct compensation rates.

Employment Agreements

The Company is a party to employment agreements with Christopher J. Pappas, the Company's President and Chief Executive Officer, and Harris J. Pappas, the Company's Chief Operating Officer. These agreements have been filed with the Securities and Exchange Commission as exhibits to the Company's Annual Report on Form 10-K filed November 14, 2005. Each agreement, which expires in August 2008, provides for a fixed base annual salary of $400,000, plus bonus compensation at the discretion of the Board or appropriate Board Committee. Please read "—Compensation of Chief Executive Officer" on page for more information regarding Mr. Christopher J. Pappas' employment agreement.

Change in Control Agreements

The employment agreements of Christopher J. Pappas and Harris J. Pappas each provide that the employee will be entitled to receive all of his compensation and benefits under the contract until August 31, 2008, if either (1) the Company terminates his employment without cause, as defined in the agreements, or (2) he terminates his employment for good reason, as defined in the agreements.

Salary Continuation Agreements

The Company currently has no salary continuation agreement, or agreement having similar effect, in place with any employee of the Company other than the Change in Control Agreements described above.