

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-04-11** | Period of Report: **1994-02-28**

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FILER

LUBYS CAFETERIAS INC

CIK: **16099** | IRS No.: **741335253** | State of Incorpor.: **TX** | Fiscal Year End: **0831**

Type: **10-Q** | Act: **34** | File No.: **001-08308** | Film No.: **94522165**

SIC: **5812** Eating places

Business Address

2211 NE LOOP 410

P O BOX 33069

SAN ANTONIO TX 78265-3069

2106549000

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended February 28, 1994

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 1-8308

LUBY'S CAFETERIAS, INC.

(Exact name of registrant as specified in its charter)

Delaware

74-1335253

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

2211 Northeast Loop 410, P. O. Box 33069
San Antonio, Texas

78265-3069

(Address of principal executive offices)

(Zip Code)

210/654-9000

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last
report)

Indicate by check mark whether the registrant (1) has filed all reports required
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during
the preceding 12 months and (2) has been subject to such filing requirements for
the past 90 days.

Yes

No

Indicate the number of shares outstanding of each of the issuer's classes of
common stock, as of the latest practicable date.

Common Stock: 25,823,556 shares outstanding as of
February 28, 1994 (exclusive of 1,579,511
treasury shares)

Part I - FINANCIAL INFORMATION

Item 1. Financial Statements.

<TABLE>

LUBY'S CAFETERIAS, INC.
STATEMENTS OF INCOME

(UNAUDITED)

<CAPTION>

	Three Months Ended		Six Months Ended	
	February 28,		February 28,	
	1994	1993	1994	1993
	(Amounts in thousands except per share data)			
<S>	<C>	<C>	<C>	<C>
Sales	\$93,719	\$88,297	\$187,885	\$176,894
Costs and expenses:				
Cost of food	23,554	22,425	47,513	44,599
Payroll and related costs	25,350	23,846	51,360	48,608
Occupancy and other operating expenses	27,431	25,681	54,727	50,993
General and administrative expenses	3,796	3,987	7,373	8,217
	<u>80,131</u>	<u>75,939</u>	<u>160,973</u>	<u>152,417</u>
Income from operations	<u>13,588</u>	<u>12,358</u>	<u>26,912</u>	<u>24,477</u>
Other income, net	155	353	613	698
Income before income taxes and cumulative effect of change in accounting for income taxes	13,743	12,711	27,525	25,175
Provision for income taxes (Note 2)	5,162	4,703	10,339	9,315
	<u>8,581</u>	<u>8,008</u>	<u>17,186</u>	<u>15,860</u>
Income before cumulative effect of accounting change	8,581	8,008	17,186	15,860
Cumulative effect as of August 31, 1993 of change in method of accounting for income taxes (Note 2)	---	---	1,563	---
	<u>\$ 8,581</u>	<u>\$ 8,008</u>	<u>\$ 18,749</u>	<u>\$15,860</u>
Net income				
Earnings per share:				
Income before cumulative effect of accounting change	\$.33	\$.29	\$.65	\$.58

Cumulative effect of accounting change	---	---	.06	---
Net income per share	\$.33	\$.29	\$.71	\$.58
Cash dividends per share	\$.15	\$.135	\$.30	\$.27
Average number of shares outstanding	26,137	27,171	26,485	27,153

See accompanying notes.

</TABLE>

Part I - FINANCIAL INFORMATION (continued)

Item 1. Financial Statements (continued).

LUBY'S CAFETERIAS, INC.
CONDENSED BALANCE SHEETS
(UNAUDITED)

<TABLE>

	February 28, 1994	August 31, 1993
	(Thousands of dollars)	
	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,646	\$ 34,305
Trade accounts and other receivables	149	602
Inventories	3,246	3,426
Prepaid expenses	3,134	2,467
Deferred income taxes	822	3,018
Total current assets	15,997	43,818
Investments and other assets - at cost	12,858	13,495
Property, plant and equipment - at cost, net	248,276	244,786
	\$277,131	\$302,099
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings (Note 3)	\$ 6,000	\$ -
Accounts payable - trade	11,476	9,688
Dividends payable	3,874	4,084
Accrued expenses and other liabilities	18,963	26,759
Income taxes payable	149	2,793
Total current liabilities	40,462	43,324
Deferred income taxes and other credits	18,980	19,827
Shareholders' equity:		

Common stock	8,769	8,769
Paid-in capital	26,945	27,037
Retained earnings	216,536	206,214
Less cost of treasury stock	(34,561)	(3,072)
Total shareholders' equity	<u>217,689</u>	<u>238,948</u>
	<u>\$277,131</u>	<u>\$302,099</u>

See accompanying notes.

</TABLE>

Part I - FINANCIAL INFORMATION (continued)

Item 1. Financial Statements (continued).

LUBY'S CAFETERIAS, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>

	Six Months Ended February 28,	
	1994	1993
	(Thousands of dollars)	
	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$18,749	\$15,860
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,776	7,550
Cumulative effect of accounting change	(1,563)	---
Decrease in accrued expenses and other liabilities	(7,796)	(2,641)
Other	1,979	(3,004)
Net cash provided by operating activities	<u>19,145</u>	<u>17,765</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposal of land held for future use	270	---
Purchases of land held for future use	(762)	---
Purchases of property, plant and equipment	(10,094)	(8,343)
Net cash used in investing activities	<u>(10,586)</u>	<u>(8,343)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock under employee benefit plans	2,505	1,696
Proceeds from short-term borrowings	6,000	---
Principal payments of long-term debt	---	(1,847)
Purchases of treasury stock	(34,681)	---
Dividends paid	(8,042)	(7,326)
Net cash used in financing activities	<u>(34,218)</u>	<u>(7,477)</u>
Net increase (decrease) in cash and cash equivalents	(25,659)	1,945

Cash and cash equivalents at beginning of period	34,305	12,294
Cash and cash equivalents at end of period	<u>\$ 8,646</u>	<u>\$14,239</u>
See accompanying notes.		

/TABLE

Part I - FINANCIAL INFORMATION (continued)

Item 1. Financial Statements (continued).

LUBY'S CAFETERIAS, INC.
STATEMENTS OF SHAREHOLDERS' EQUITY
For the Six Months Ended February 28, 1994 and 1993
(UNAUDITED)

<TABLE>

	Common Stock Issued	Treasury	Paid-in Capital	Retained Earnings	Total Shareholders' Equity
	(Thousands of dollars)				
<S>	<C>	<C>	<C>	<C>	<C>
Balance at August 31, 1992	\$8,769	\$(4,252)	\$26,945	\$185,789	\$217,251
Net income for the period	---	---	---	15,860	15,860
Common stock issued under employee benefit plans, net of shares tendered in partial payment	---	1,576	122	(2)	1,696
Cash dividends	---	---	---	(7,340)	(7,340)
Balance at February 28, 1993	\$8,769	\$(2,676)	\$27,067	\$194,307	\$227,467
Balance at August 31, 1993	\$8,769	\$(3,072)	\$27,037	\$206,214	\$238,948
Net income for the period	---	---	---	18,749	18,749
Common stock issued under employee benefit plans, net of shares tendered in partial payment	---	3,192	(92)	(595)	2,505
Cash dividends	---	---	---	(7,832)	(7,832)
Purchases of treasury stock	---	(34,681)	---	---	(34,681)
Balance at February 28, 1994	\$8,769	\$(34,561)	\$26,945	\$216,536	\$217,689

See accompanying notes.

</TABLE>

Item 1. Financial Statements (continued).

LUBY'S CAFETERIAS, INC.
 NOTES TO FINANCIAL STATEMENTS
 February 28, 1994
 (UNAUDITED)

Note 1: All adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim periods have been made. All such adjustments are of a normal recurring nature. The results for the interim period are not necessarily indicative of the results to be expected for the full year.

Note 2: Effective September 1, 1993, the Company adopted FASB Statement No. 109, "Accounting for Income Taxes." Under Statement 109, the liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities ("temporary differences") and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the adoption of Statement 109, income tax expense was determined using the deferred method. Deferred tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and were measured at the tax rate in effect in the year the difference originated.

As permitted by Statement 109, the Company has elected not to restate the financial statements of any prior years. The effect of the change on pretax income from continuing operations for the six month periods ended February 28, 1994 and 1993, was not material; however, the cumulative effect of the change increased net income by \$1,563,000, or \$.06 per share.

The tax effect of temporary differences results in deferred income tax assets and liabilities as follows:

	February 28, 1994	
	Assets	Liabilities
	(Thousands of dollars)	
Workers' compensation insurance	\$ 822	\$ -
Amortization of capitalized interest	-	518
Depreciation and amortization	-	16,859
Deferred compensation	847	-
Other	-	201
	\$1,669	\$17,578

The above amounts aggregate to a current deferred tax asset of \$822,000 and to a noncurrent deferred tax liability of \$16,731,000 at February 28, 1994.

Note 3: During February 1994, the Company borrowed \$6,000,000 under a

\$30,000,000 line of credit agreement which expires in January 1995. The current borrowings bear interest at 3.75% and mature on March 17, 1994.

Part I - FINANCIAL INFORMATION (continued)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Liquidity and Capital Resources

Cash and cash equivalents decreased by \$25,659,000 from the end of the preceding fiscal year to February 28, 1994. All capital expenditures for fiscal 1994 are being funded from cash flows from operations, cash equivalents and short-term borrowings. Capital expenditures for the six months ended February 28, 1994, were \$10,856,000. As of February 28, 1994, the Company owned 17 undeveloped land sites.

During the six months ended February 28, 1994, the Company purchased 1,553,100 shares of its common stock at a cost of \$34,681,000, which are being held as treasury stock. To complete this purchase and fund capital expenditures, the Company required external financing and borrowed funds under a \$30,000,000 line of credit agreement. At February 28, 1994, the amount outstanding under this line of credit was \$6,000,000.

Results of Operations

Quarter ended February 28, 1994 compared to the quarter ended February 28, 1993.

Sales increased \$5,422,000, or 6.1%, due to the addition of two new cafeterias in fiscal 1994 and six in fiscal 1993, and due to an increase in average sales volume at cafeterias opened over one year.

Cost of food increased \$1,129,000, or 5%, due primarily to the increase in sales. Payroll and related costs increased \$1,504,000, or 6.3%, due primarily to the increase in sales, while workers' compensation costs remained stable. Occupancy and other operating expenses increased \$1,750,000, or 6.8%, due primarily to the increase in sales, higher advertising expenditures, and higher managers' salaries, which are based on the profitability of the cafeterias. General and administrative expenses decreased \$191,000, or 4.8%, due to the lower Company contribution to the profit sharing and retirement plan as determined by the plan's provisions.

The provision for income taxes increased \$459,000, or 9.8%, due primarily to the increase in operating income. The effective income tax rate increased from 37% to 37.6% due primarily to the increase in federal income tax rates effective January 1, 1993.

Six months ended February 28, 1994 compared to the six months ended February 28, 1993.

Sales increased \$10,991,000, or 6.2%, due primarily to the addition of three new

cafeterias in fiscal 1994 and six in fiscal 1993, and due to an increase in average sales volume at cafeterias opened over one year.

Cost of food increased \$2,914,000, or 6.5%, due primarily to the increase in sales and higher food costs for certain items such as poultry, oils and shortening. Payroll and related costs increased \$2,752,000, or 5.7%, due primarily to the increase in sales, and were partially offset by lower costs of workers' compensation insurance. Occupancy and other operating expenses increased \$3,734,000, or 7.3%, due primarily to the increase in sales, higher advertising expenditures and higher managers' salaries, which are based on the profitability of the cafeterias. General and administrative expenses decreased \$844,000, or 10.3%, due to the lower Company contribution to the profit sharing and retirement plan as determined by the plan's provisions. In addition, the six months ended February 28, 1993, included costs for the settlement of litigation.

The provision for income taxes increased \$1,024,000, or 11%, due primarily to the increase in operating income. The effective income tax rate increased from 37% to 37.6% due primarily to the increase in federal income tax rates effective January 1, 1993.

Part II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders.

- (a) The 1994 annual meeting of shareholders of Luby's Cafeterias, Inc. was held on January 13, 1994.
- (b) The directors elected at the meeting were John E. Curtis, Jr., Ralph Erben, Walter J. Salmon and Joanne Winik. The other directors whose terms continued after the meeting are Lauro F. Cavazos, John B. Lahourcade, George H. Wenglein, David B. Daviss, Roger R. Hemminghaus and William E. Robson.
- (c) The matters voted upon at the meeting were (i) the election of four directors to serve until the 1997 annual meeting of shareholders, (ii) a proposed amendment to the Certificate of Incorporation to increase the number of authorized shares of common stock to 100,000,000, and (iii) the approval of the appointment of Ernst & Young as auditors for the 1994 fiscal year.
- (d) With respect to the election of directors, the results of the voting were:

Nominee	Shares Voted For	Shares Abstained	Broker Nonvotes
John E. Curtis, Jr.	22,283,729	119,912	-0-
Ralph Erben	22,277,027	126,614	-0-
Walter J. Salmon	22,200,436	203,205	-0-
Joanne Winik	22,171,785	231,856	-0-

- (e) With respect to the proposed amendment to the Certificate of Incorporation, the results of the voting were:

Shares voted "for" 18,726,631

Shares voted "against"	3,538,068
Shares abstaining	138,942
Broker nonvotes	-0-

(f) With respect to approval of the appointment of auditors, the results of the voting were:

Shares voted "for"	22,288,834
Shares voted "against"	29,444
Shares abstaining	85,363
Broker nonvotes	-0-

Part II - OTHER INFORMATION (continued)

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

- 2 Agreement and Plan of Merger dated November 1, 1991, between Luby's Cafeterias, Inc., a Texas corporation, and Luby's Cafeterias, Inc., a Delaware corporation (filed as Exhibit 2 to the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 1991, and incorporated herein by reference).
- 3(a) Certificate of Incorporation of Luby's Cafeterias, Inc., a Delaware corporation, as in effect February 28, 1994.
- 3(b) Certificate of Amendment to Certificate of Incorporation of Luby's Cafeterias, Inc. filed in the Office of the Secretary of State of Delaware on January 18, 1994.
- 4(a) Form of certificate representing shares of common stock of Luby's Cafeterias, Inc. (filed as Exhibit 4(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 1991, and incorporated herein by reference).
- 4(b) Description of Common Stock Purchase Rights of Luby's Cafeterias, Inc., in Form 8-A (filed April 17, 1991, effective April 26, 1991, File No. 1-8308, and incorporated herein by reference).
- 4(c) Amendment No. 1 dated December 19, 1991, to Rights Agreement dated April 16, 1991 (filed as Exhibit 4(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 1991, and incorporated herein by reference).
- 4(d) Promissory Note (Loan Agreement) dated January 31, 1994, in favor of NationsBank of Texas, N.A., in the maximum amount of \$30,000,000.
- 10(a) Form of Deferred Compensation Agreement entered into between Luby's Cafeterias, Inc. and various officers (filed as Exhibit 10(b) to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1981, and incorporated herein by reference).

- 10(b) Annual Incentive Plan for Area Vice Presidents of Luby's Cafeterias, Inc. adopted October 19, 1983 (filed as Exhibit 10(d) to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1983, and incorporated herein by reference).
- 10(c) Incentive Bonus Plan of Luby's Cafeterias, Inc. adopted October 19, 1983 (filed as Exhibit 10(e) to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1983, and incorporated herein by reference).
- 10(d) Employee Stock Option Plan of Luby's Cafeterias, Inc. approved by the shareholders on January 12, 1984 (filed as Exhibit 10(e) to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1984, and incorporated herein by reference).
- 10(e) Performance Unit Plan of Luby's Cafeterias, Inc. approved by the shareholders on January 12, 1984 (filed as Exhibit 10(f) to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1984, and incorporated herein by reference).
- 10(f) Employment Contract dated January 8, 1988, between Luby's Cafeterias, Inc. and George H. Wenglein (filed as Exhibit 10(h) to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1988, and incorporated herein by reference).
- 10(g) Management Incentive Stock Plan of Luby's Cafeterias, Inc. (filed as Exhibit 10(i) to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1989, and incorporated herein by reference).
- 11 Statement re computation of per share earnings.

(b) Reports on Form 8-K

No reports on Form 8-K have been filed during the quarter for which this report is filed.

SIGNATURES

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 thereunto duly authorized.

LUBY'S CAFETERIAS, INC.
(Registrant)

By: RALPH ERBEN

Ralph Erben
President
Chief Executive Officer

By: JOHN E. CURTIS, JR.

John E. Curtis, Jr.
Senior Vice President
Chief Financial Officer

Dated: April 11, 1994

EXHIBIT INDEX

Number	Document
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- 11 Statement re computation of per share earnings.

CERTIFICATE OF INCORPORATION
OF
LUBY'S CAFETERIAS, INC.
(as in effect February 28, 1994)

FIRST. The name of the Corporation is LUBY'S CAFETERIAS, INC.

SECOND. The address of the registered office of the Corporation in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of the registered agent of the Corporation at such address is The Corporation Trust Company.

THIRD. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH. The total number of shares of all classes of stock which the Corporation shall have authority to issue is one hundred million (100,000,000) shares of Common Stock of the par value of thirty-two cents (\$.32) per share.

FIFTH. The period of the Corporation's duration is perpetual.

SIXTH. (a) Number, Election and Terms of Directors. The business and affairs of the Corporation shall be managed by a Board of Directors which shall consist of not less than nine nor more than fifteen persons, who need not be residents of the State of Delaware or stockholders of the Corporation. The exact number of directors within the minimum and maximum limitations specified in the preceding sentence shall be fixed from time to time by the Board of Directors pursuant to a resolution adopted by a majority of the entire Board of Directors. The directors shall be divided into three classes, as nearly equal in number as possible, with the term of office of the first class to expire at the 1992 Annual Meeting of Stockholders, the term of office of the second class to expire at the 1993 Annual Meeting of Stockholders and the term of office of the third class to expire at the 1994 Annual Meeting of Stockholders. At each Annual Meeting of Stockholders following such initial classification and election, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding Annual Meeting of Stockholders after their election.

(b) Newly Created Directorships. A directorship to be filled by reason of an increase in the number of directors may be filled (i) by election at an Annual or Special Meeting of Stockholders called for that purpose or (ii) by the Board of Directors for a term of office continuing only until the next election of one or more directors by the stockholders; provided that the Board of Directors may not fill more than two such directorships during the period between any two successive Annual Meetings of Stockholders.

(c) Vacancies in the Board of Directors. Any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall be filled by a majority vote of the directors then in office, and directors so chosen shall hold office for a term expiring at the Annual Meeting of Stockholders at which the term of the class to which they have been elected expires. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

(d) Removal of Directors. Any director, or the entire Board of Directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least 80% of the voting power of all of the shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

(e) Amendment, Repeal, etc. Notwithstanding any other provisions of this Certificate of Incorporation or the By-laws of the Corporation (and notwithstanding the fact that a lesser percentage may be specified by law, this Certificate of Incorporation or the By-laws of the Corporation), the affirmative vote of the holders of 80% or more of the voting power of the shares of the Corporation then outstanding, voting together as a single class, shall be required to alter, amend, repeal or adopt any provision inconsistent with this Article Sixth.

SEVENTH. In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized to make, alter, adopt, amend, change or repeal the By-laws of the Corporation.

EIGHTH. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed by the laws of the State of Delaware. All rights herein conferred are granted subject to this reservation.

NINTH. The Corporation shall have the power to indemnify to the fullest extent permitted by, and in the manner permissible under, the laws of the State of Delaware any person made, or threatened to be made, a party to any action, suit or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he is or was a director, advisory director or officer of the Corporation, or served another corporation, partnership, joint venture, trust or other enterprise as a director, advisory director, officer, employee or agent at the request of the Corporation, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding. The Board of Directors in its discretion shall have the power on behalf of the Corporation to indemnify similarly any person, other than a director, advisory director or officer, made a party to any action, suit or proceeding by reason of the fact that he is or was an employee or agent of the Corporation. The provisions of this Article Ninth shall be applicable to persons who have ceased to be directors,

advisory directors, officers, employees or agents of the Corporation and shall inure to the benefit of their heirs, executors and administrators.

TENTH. Pursuant to section 102(b)(7) (or any successor statute) of the General Corporation Law of the State of Delaware, the personal liability of a director to the Corporation or the stockholders of the Corporation for monetary damages for breach of fiduciary duty is hereby eliminated. The terms of the preceding sentence, however, shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or the stockholders of the Corporation, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 (or a successor statute) of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the director derived an improper personal benefit.

ELEVENTH. Section 1. Vote Required for Certain Business Combinations.

A. Higher Vote for Certain Business Combinations. In addition to any affirmative vote required by law or this Certificate of Incorporation, and except as otherwise expressly provided in Section 2 of this Article:

(i) any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with (a) any Interested Stockholder (as hereinafter defined) or (b) any other corporation (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of an Interested Stockholder; or

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Stockholder or any Affiliate of any Interested Stockholder of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value of \$10,000,000 or more; or

(iii) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary to any Interested Stockholder or any Affiliate of any Interested Stockholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of \$10,000,000 or more; or

(iv) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of an Interested Stockholder or any Affiliate of any Interested Stockholder; or

(v) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the

Corporation or any Subsidiary which is directly or indirectly owned by any Interested Stockholder or any Affiliate of any Interested Stockholder;

shall require the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (the "Voting Stock"), voting together as a single class. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

B. Definition of "Business Combination." The term "Business Combination" as used in this Article shall mean any transaction which is referred to in any one or more of clauses (i) through (v) of paragraph A of this Section 1.

Section 2. When Higher Vote is Not Required. The provisions of Section I of this Article shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as is required by law and any other provision of this Certificate of Incorporation, if all of the conditions specified in either of the following paragraphs A and B are met:

A. Approval by Continuing Directors. The Business Combination shall have been approved by a majority of the Continuing Directors (as hereinafter defined).

B. Price and Procedure Requirements. All of the following conditions shall have been met:

(i) The aggregate amount of the cash and the Fair Market Value (as hereinafter defined) as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of Common Stock in such Business Combination shall be at least equal to the higher of the following:

(a) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any shares of Common Stock acquired by it (1) within the two-year period immediately prior to the first public announcement of the proposal of the Business Combination (the "Announcement Date") or (2) in the transaction in which it became an Interested Stockholder, whichever is higher; and

b) The Fair Market Value per share of Common Stock on the Announcement Date or on the date on which the Interested Stockholder became an Interested Stockholder (such latter date being referred to in this Article as the "Determination Date"), whichever is higher.

(ii) The aggregate amount of the cash and the Fair Market Value as of the date of the consummation of the Business Combination of

consideration other than cash to be received per share by holders of shares of any other class of outstanding Voting Stock shall be at least equal to the highest of the following (it being intended that the requirements of this paragraph B(ii) shall be required to be met with respect to every class of outstanding Voting Stock, whether or not the Interested Stockholder has previously acquired any shares of a particular class of Voting Stock):

(a) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any shares of such class of Voting Stock acquired by it (1) within the two year period immediately prior to the Announcement Date or (2) in the transaction in which it became an Interested Stockholder, whichever is higher;

(b) (if applicable) the highest preferential amount per share to which the holders of shares of such class of Voting Stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation; and

(c) the Fair Market Value per share of such class of Voting Stock on the Announcement Date or on the Determination Date, whichever is higher.

(iii) The consideration to be received by holders of a particular class of outstanding Voting Stock (including Common Stock) shall be in cash or in the same form as the Interested Stockholder has previously paid for shares of such class of Voting Stock. If the Interested Stockholder has paid for shares of any class of Voting Stock with varying forms of consideration, the form of consideration for such class of Voting Stock shall be either cash or the form used to acquire the largest number of shares of such class of Voting Stock previously acquired by it. In the determination of amounts per share pursuant to subparagraphs (i) and (ii) of this paragraph B, appropriate adjustment shall be made to reflect any stock dividend, stock split, combination of shares or similar event.

(iv) After such Interested Stockholder has become an Interested Stockholder and prior to the consummation of such Business Combination:
(a) there shall have been (1) no reduction in the annual rate of dividends paid on the Common Stock (except as necessary to reflect any subdivision of the Common Stock), except as approved by a majority of the Continuing Directors, and (2) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the Common Stock, unless the failure so to increase such annual rate is approved by a majority of the Continuing Directors; and (b) such Interested Stockholder shall have not become the beneficial owner of any additional shares of Voting Stock except as part of the transaction which results in such Interested Stockholder becoming an Interested Stockholder.

(v) After such Interested Stockholder has become an Interested

Stockholder, such Interested Stockholder shall not have received the benefit, directly or indirectly (except proportionately as a stockholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation, whether in anticipation of or in connection with such Business Combination or otherwise.

(vi) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to public stockholders of the Corporation at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions).

Section 3. Certain Definitions. For the purposes of this Article:

A. A "person" shall mean any individual, firm, corporation or other entity.

B. "Interested Stockholder" shall mean any person (other than the Corporation or any Subsidiary) who or which:

(i) is the beneficial owner, directly or indirectly, of more than 10% of the voting power of the outstanding Voting Stock; or

(ii) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding Voting Stock; or

(iii) is an assignee of or has otherwise succeeded to any shares of Voting Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Stockholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

C. A person shall be a "beneficial owner" of any Voting Stock:

(i) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns, directly or indirectly; or

(ii) which such person or any of its Affiliates or Associates has (a) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (b) the right to vote pursuant to any agreement, arrangement or understanding; or

(iii) which are beneficially owned, directly or indirectly, by

any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

D. For the purposes of determining whether a person is an Interested Stockholder pursuant to paragraph B of this Section 3, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned through application of paragraph C of this Section 3, but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

E. "Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on October 1, 1985.

F. "Subsidiary" means any corporation of which a majority of any class of equity security is owned, directly or indirectly, by the Corporation; provided, however, that for the purposes of the definition of Interested Stockholder set forth in paragraph B of this Section 3, the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by the Corporation.

G. "Continuing Director" means any member of the Board of Directors of the Corporation (the "Board") who is unaffiliated with the Interested Stockholder and was a member of the Board prior to the time that the Interested Stockholder became an Interested Stockholder, and any successor of a Continuing Director who is unaffiliated with the Interested Stockholder and is recommended to succeed a Continuing Director by a majority of Continuing Directors then on the Board.

H. "Fair Market Value" means: (i) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by the Board in good faith; and (ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by the Board in good faith.

I. In the event of any Business Combination in which the Corporation survives, the phrase "other consideration to be received" as used in paragraphs B(i) and B(ii) of Section 2 of this Article shall include the shares of Common Stock and/or the shares of any other class of outstanding

Voting Stock retained by the holders of such shares.

Section 4. Powers of the Board of Directors. A majority of the directors of the Corporation shall have the power and duty to determine for the purposes of this Article, on the basis of information known to them after reasonable inquiry, (A) whether a person is an Interested Stockholder, (B) the number of shares of Voting Stock beneficially owned by any person, (C) whether a person is an Affiliate or Associate of another and (D) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of \$10,000,000 or more.

Section 5. No Effect on Fiduciary Obligations of Interested Stockholders. Nothing contained in this Article shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

Section 6. Amendment, Repeal, etc. Notwithstanding any other provisions of this Certificate of Incorporation or the By-laws of the Corporation (and notwithstanding the fact that a lesser percentage may be specified by law, this Certificate of Incorporation or the By-laws of the Corporation), the affirmative vote of the holders of 80% or more of the voting power of the shares of the then outstanding Voting Stock, voting together as a single class, shall be required to alter, amend, repeal or adopt any provision inconsistent with this Article Eleventh.

TWELFTH. Special meetings of the stockholders of the Corporation may be called (1) by the President, the Board of Directors, or such other person or persons as may be authorized in the Corporation's By-laws or (2) by the holders of at least fifty percent of all the shares of the Corporation entitled to vote at the proposed special meeting.

THIRTEENTH. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at an annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

FOURTEENTH. The name and post office address of the incorporator signing this Certificate of Incorporation is James R. Hale, 112 East Pecan, Suite 2000, San Antonio, Texas 78205.

The undersigned, being the incorporator herein before named, for the purposes of organizing a corporation pursuant to the General Corporation Law of the State of Delaware, does make this certificate, hereby declaring and certifying that this is his act and deed and the facts herein stated are true, and accordingly has hereunto set his hand this 28th day of October, 1991.

James R. Hale

James R. Hale: Incorporator

CERTIFICATE OF AMENDMENT TO
CERTIFICATE OF INCORPORATION OF
LUBY'S CAFETERIAS, INC.

LUBY'S CAFETERIAS, INC., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY:

FIRST: That at a meeting of the Board of Directors of Luby's Cafeterias, Inc., resolutions were duly adopted setting forth a proposed amendment to the Certificate of Incorporation of said corporation, declaring said amendment to be advisable and calling a meeting of the stockholders of said corporation for consideration thereof. The resolution setting forth the proposed amendment is as follows:

RESOLVED: That the Board of Directors of Luby's Cafeterias, Inc., a Delaware corporation, proposes and declares advisable that Article Fourth of the Certificate of Incorporation of Luby's Cafeterias, Inc. be amended so as to read in its entirety as follows:

"FOURTH: The total number of shares of all classes of stock which the Corporation shall have authority to issue is one hundred million (100,000,000) shares of Common Stock of the par value of thirty two cents (\$.32) per share."

SECOND: That thereafter, pursuant to resolution of its Board of Directors, an annual meeting of the stockholders of said corporation was duly called and held, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware, at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said LUBY'S CAFETERIAS, INC. has caused this certificate to be signed by Ralph Erben, its President, and attested by James R. Hale, its Secretary, this 13th day of January, 1994.

LUBY'S CAFETERIAS, INC.

Ralph Erben

By: _____
Ralph Erben, President

James R. Hale

ATTEST: _____
James R. Hale, Secretary

PROMISSORY NOTE

Dallas, Texas

January 31, 1994

Borrower: LUBY'S CAFETERIAS, INC.

Maximum Amount: \$30,000,000.00

Interest Rate Options (check options available):

<input checked="" type="checkbox"/>	Agreed Rate	
—		
<input checked="" type="checkbox"/>	Prime Rate (-)	.50%
—		—————
<input checked="" type="checkbox"/>	CD Rate +	.50%
—		—————
<input checked="" type="checkbox"/>	Eurodollar Rate +	.375%
—		—————

Loan Type (Check only one option):

_____ This Note evidences Loans made by Lender to Borrower pursuant to a line of credit in the Maximum Amount. From the date hereof to _____, 19__ (the "Commitment Termination Date") Borrower, subject to the terms and conditions of this Note and provided that no Event of Default is then existing, may borrow, repay and reborrow up to the Maximum Amount ("Committed Loans").

_____ This Note evidences Loans made by Lender to Borrower, which in the aggregate principal amount outstanding shall not exceed the Maximum Amount. Each Loan evidenced hereby shall mature within one year from the date hereof. Borrower acknowledges and agrees that (i) Lender has no obligation to make any Loans and (ii) each Loan shall be in the sole discretion of Lender ("Uncommitted Loans").

Borrower, for the value received, promises to pay to the order of NATIONSBANK OF TEXAS, N.A. ("Lender"), at its banking house in Dallas, Texas, or at any other place designated to Borrower in writing by Lender, in lawful money of the United States of America and in immediately available funds prior to 11:00 a.m. Dallas time on the date due, the principal amount of each Loan, on the earlier of (i) declaration by Lender pursuant to Section 1.7 hereof, or

(ii) the last day of the Interest Period of such Loan, together with interest on the unpaid principal balance of such Loan at the applicable rates herein set forth.

This Note is issued upon the following terms and conditions:

ARTICLE I.

THE LOANS

1.1. Definitions. Defined terms used herein shall have the meanings given to them above and in Article III hereof.

1.2. Making the Loans. Each Fixed Rate Loan shall be in an aggregate amount which is an integral multiple of \$100,000.00. Each Loan shall be made by notice to Lender (stating the Type Loan, the amount of the Loan, the date of the Loan and the Interest Period for the Loan) not later than 11:30 a.m., Dallas time, given by Borrower to Lender (i) as to any Eurodollar Rate Loan, at least two (2) Business Days prior to the date of such Type Loan, (ii) as to any CD Rate Loan, at least one (1) Business Day prior to the date of such Type Loan, and (iii) as to any Agreed Rate Loan and any Prime Rate Loan, on the day of such Type Loan. Lender shall on the date of each Loan not later than 1:00 p.m., Dallas time, in immediately available funds, deposit the proceeds of such Loan in the general deposit account of Borrower with Lender.

1.3. Repayment. Borrower shall repay the principal amount of each Loan on the earlier of (i) declaration by Lender pursuant to Section 1.7 hereof, or (ii) the last day of the Interest Period for such Loan.

1.4. Prepayments. Borrower may prepay any Prime Rate Loan, without penalty or premium. No prepayment of any Fixed Rate Loan shall be permitted without the prior written consent of Lender. Notwithstanding such prohibition, if there is a prepayment of any Fixed Rate Loan, whether by consent of Lender or because of acceleration or otherwise, Borrower shall, within fifteen (15) days of any request by Lender, pay to Lender any loss or expense which Lender may incur or sustain as a result of any such prepayment.

A statement as to the amount of such loss or expense, prepared in good faith and in reasonable detail by Lender and submitted by Lender to Borrower shall be conclusive and binding for all purposes absent manifest error in computation. Calculation of all amounts payable to Lender under this Section 1.4 shall be made as though Lender shall have actually funded or committed to fund the relevant Fixed Rate Loan through the purchase of an underlying deposit in an amount equal to the amount of such Loan and having a maturity comparable to the related Interest Period; provided, however, that Lender may fund any Fixed Rate Loan in any manner it sees fit and the foregoing assumption shall be utilized only for the purpose of calculation of amounts payable under this Section 1.4.

1.5. Yield Protection and Indemnity. If at any time after the date hereof, and from time to time, Lender determines that the adoption or

modification of any applicable law, rule or regulation regarding taxation, Lender's required levels of reserves, deposits, insurance or capital (including any allocation of capital requirements or conditions), or similar requirements, or any interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation, administration or compliance of Lender with any of such requirements, has or would have the effect of (i) increasing Lender's costs relating to the Obligation hereunder, or (ii) reducing the yield or rate of return of Lender on the Obligation hereunder to a level below that which Lender could have achieved but for the adoption or modification of any such requirements, Borrower shall, within fifteen (15) days of any request by Lender, pay to Lender such additional amounts as (in Lender's sole judgment, after good faith and reasonable computation) will compensate Lender for such increase in costs or reduction in yield or rate of return of Lender. No failure by Lender to immediately demand payment of any additional amounts payable hereunder shall constitute a waiver of Lender's right to demand payment of such amounts at any subsequent time. Nothing herein contained shall be construed or so operate as to require Borrower to pay any interest, fees, costs or charges at a rate or in an amount greater than is permitted by Applicable Law.

1.6. Interest.

(a) Prime Rate Loans. The unpaid principal balance of each Loan outstanding from time to time as a Prime Rate Loan shall bear interest during each Interest Period at the Prime Rate plus the percentage, if any, set forth in the "Interest Rate Options" section of this Note, which interest rate shall change without notice with each change in such Prime Rate as of the date of any such change; provided that, if at any time the Prime Rate plus the percentage, if any, set forth in the "Interest Rate Options" section of this Note exceeds the Highest Lawful Rate, the rate of interest which each Prime Rate Loan bears shall be limited to the Highest Lawful Rate, but any subsequent reductions in the Prime Rate shall not reduce the rate of interest which each Prime Rate Loan bears below the Highest Lawful Rate until the amount of interest accrued on each Prime Rate Loan equals the amount of interest which would have accrued if the Prime Rate plus the percentage, if any, set forth in the "Interest Rate Options" section of this Note had at all times been in effect. Interest on each Prime Rate Loan for each Interest Period shall be payable on the last day thereof.

(b) CD Rate Loans. The unpaid principal balance of each Loan outstanding from time to time as a CD Rate Loan shall bear interest during each Interest Period at the CD Rate for such CD Rate Loan plus the percentage, if any, set forth in the "Interest Rate Options" section of this Note. Interest on each CD Rate Loan for each Interest Period shall be payable on the last day thereof.

(c) Eurodollar Rate Loans. The unpaid principal balance of each Loan outstanding from time to time as a Eurodollar Rate Loan shall bear interest during each Interest Period at the Eurodollar Rate for such Eurodollar Rate Loan plus the percentage, if any, set forth in the "Interest Rate Options" section of this Note. Interest on each Eurodollar Rate Loan for each Interest

Period shall be payable on the last day thereof.

(d) Agreed Rate Loans. The unpaid principal balance of each Loan outstanding from time to time as an Agreed Rate Loan shall bear interest during each Interest Period at the Agreed Rate for such Agreed Rate Loan. Interest on each Agreed Rate Loan for each Interest Period shall be payable on the last day thereof.

(e) Computations. Subject to the provisions of Section 2.5 of this Note, interest on each Loan and any commitment fee shall be calculated on the basis of actual days elapsed, but computed as if each year consisted of 360 days. The books and records of Lender shall be Prima facie evidence of all sums due Lender.

(f) Past Due Principal and Interest. All past due principal of and, to the extent permitted by Applicable Law, all past due interest on any Loan and any other past due amount owing on this Note, shall bear interest from the date due until paid at the Default Rate.

1.7. Events of Default. It shall be an event of default ("Event of Default") under this Note and each of any other documents executed in connection herewith if any one of the following shall occur: (i) Borrower shall fail to make any payment of principal, interest or other amounts under this Note when due; (ii) Borrower or any guarantor of this Note shall fail to make any payment when due on any debt for borrowed money, purchase money debt or contingent debt which Borrower or any guarantor of this Note is obligated to pay as borrower, guarantor or in any other capacity or any default or event of default shall occur under any agreement evidencing or providing for the creation of such debt or under any other document executed in connection with this Note; (iii) any voluntary or involuntary bankruptcy proceeding or any similar action is commenced with respect to Borrower or any guarantor of this Note or any of its assets; (iv) Lender shall in good faith believe that the prospect of payment of amounts due with respect to this Note has been impaired; or (v) any representation or warranty made by Borrower or any guarantor of this Note in connection with this Note shall be false or incorrect in any material respect when made or deemed made.

If one or more of the foregoing Events of Default shall occur, all or any part of the outstanding principal of this Note plus accrued unpaid interest on this Note and any other accrued unpaid amount owing under this Note shall at the option of Lender become due and payable immediately without notice to Borrower, which is hereby waived by Borrower, and Lender shall have no further obligation (if any) to make Loans under this Note, and Lender may exercise any and all available rights and remedies under any document or instrument executed in connection with this Note or under Applicable Law.

ARTICLE II.

MISCELLANEOUS

2.1. Waivers and Consents. Borrower and all endorsers, sureties and

guarantors of this Note hereby severally waive demand and notice of demand, presentment for payment, protest, notice of protest, notice of acceleration of the maturity of this Note, notice of intention to accelerate the maturity of this Note, diligence in collecting, the bringing of any suit against any Person, and any notice of or defense on account of any extensions, renewals, partial payments or changes in this Note or in any of its terms, provisions and covenants, or any releases or substitutions of any security for this Note, or any delay, indulgence or other act of any holder hereof, whether before or after maturity.

2.2 Fees. Borrower agrees to pay to Lender, on the date or dates set forth below, the following fee or fees (check applicable provisions):

_____ On the date hereof, a facility fee in the amount of _____ Dollars (\$ _____).

_____ On the last day of each Interest Period for Prime Rate Loans and on the Commitment Termination Date, a commitment fee at the rate of _____ percent (_____ %) per annum on the average daily unborrowed portion of the Maximum Amount.

2.3. Expenses. If this Note is placed in the hands of an attorney for collection after the occurrence of an Event of Default, or if all or any part of the indebtedness evidenced hereby is proved, established or collected in any court or in any bankruptcy, receivership, debtor relief, probate or other court proceedings, Borrower and all endorsers, sureties and guarantors of this Note jointly and severally agree to pay reasonable attorneys' fees and collection costs to the holder hereof in addition to the principal and interest and other amounts payable hereunder. In addition, Borrower agrees to pay Lender all reasonable costs and expenses, including reasonable attorneys' fees, incurred by Lender in connection with the preparation of this Note and any documents or instruments executed in connection herewith, making the Loans hereunder, and all amendments, consents and waivers related to the Loans and requests therefor by Borrower.

2.4. Governing Law. This Note is payable and performable in Dallas County, Texas, and shall be construed and enforced in accordance with and governed by the Laws of the State of Texas and the Federal Laws of the United States of America. Tex. Rev. Civ. Stat. Ann. art. 5069 Ch. 15 (which regulates certain revolving credit loan accounts and revolving tri-party accounts) shall not apply to the Loans evidenced by this Note. Without excluding any other jurisdiction, Borrower agrees that the courts of the State of Texas sitting in Dallas, Dallas County, Texas, and the federal courts sitting in Dallas, Dallas County, Texas, will have jurisdiction over proceedings in connection herewith.

2.5. Controlling Agreement. Interest paid or agreed to be paid in this Note or in any other documents executed in connection herewith shall not exceed the Highest Lawful Rate, and, in any contingency whatsoever, if Lender shall receive anything of value deemed interest under Applicable Law which would exceed the Highest Lawful Rate, the excessive interest shall be applied to the reduction of unpaid principal or refunded to Borrower, if it exceeds unpaid

principal. It is further agreed that, without limitation of the foregoing, all calculations of the rate of interest contracted for, charged, or received by Lender or any holder of this Note that are made for the purpose of determining whether such rate exceeds the Highest Lawful Rate shall be made, to the extent permitted by usury laws applicable to Lender (now or hereafter enacted), by amortizing, prorating, and spreading during the period of the full stated term of the Loans evidenced by this Note all interest at any time contracted for, charged, or received by Lender in connection therewith.

2.6. Binding Effect. This Note shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns, except that Borrower shall not have the right to assign its rights or obligations hereunder or any interest herein without the prior written consent of Lender. Lender may assign to one or more banks, all or any part of, or may grant participations to one or more banks in or to all or part of, any Loan or Loans and this Note, and to the extent of any such assignment or participation (except where otherwise stated) the assignee or participant of such assignment or participation shall have the rights and benefits with respect to each Loan or Loans and this Note, including Section 1.5 hereof, as it would have if it was Lender hereunder.

2.7. Titles. The titles to paragraphs in this Note are inserted for convenience only and do not constitute a part of the text hereof.

2.8. Notices. Notices hereunder must be given in writing to be effective and shall be effective upon receipt by Borrower or Lender at the address set forth below its signature below or at such other address as Borrower or Lender may notify the other.

ARTICLE III

DEFINITIONS

As used in and for all purposes of this Note, the terms defined in this Article III shall have the following meanings, and the singular shall include the plural, and vice versa, unless otherwise specifically required by the context:

"Agreed Rate" shall mean a fixed rate per annum mutually agreed upon by Borrower and Lender, to be confirmed in writing by Borrower.

"Agreed Rate Loan" shall mean each Loan which bears interest at the Agreed Rate.

"Applicable Law" shall mean the Laws of the United States of America applicable to contracts made or performed or to be performed in the State of Texas, including, without limitation, 12 U.S.C. SS 85 and 86(a), as heretofore or hereafter amended, and any other statute of the United States of America now or at any time hereafter prescribing maximum rates of interest on loans, advances and extensions of credit, and the Laws of the State of Texas, including, without limitation, Articles 5069-1.04 and 5069-1.07(a), Title 79,

Revised Civil Statutes of Texas, 1925, as heretofore or hereafter amended ("Art. 1.04").

"Art. 1.04" has the meaning given to such term in the definition of Applicable Law in this Article III.

"Assessment Rate" shall mean, with respect to any CD Rate Loan, the actual (if known) or the estimated (if the actual rate is not known) net annual assessment rate (rounded upwards, if necessary, to the next higher 1/100 of 1%) charged by the Federal Deposit Insurance Corporation (or any successor) for such corporation's (or such successor's) insuring liability for time deposits of Lender, as in effect from time to time. The Assessment Rate shall be a fixed percentage calculated as of and effective with the first day of each Interest Period, taking into consideration changes scheduled to occur during such Interest Period.

"Business Day" shall mean a day of the year on which banks are not required or authorized to close in Dallas, Texas, and, if the applicable Business Day relates to any Eurodollar Rate Loans, a day of the year on which dealings are carried on in the London interbank market.

"CD Rate" shall mean an interest rate per annum equal to a rate determined pursuant to the following formula:

$$\frac{\text{Derivation CD Rate}}{100\% - \text{CD Reserve Percentage}} + \text{Assessment Rate}$$

"CD Rate Loan" shall mean each Loan which bears interest based on the CD Rate.

"CD Reserve Percentage" shall mean, for the applicable Interest Period, the then applicable maximum reserve requirement (including, without limitation, any basic, supplemental, marginal and emergency reserves) (expressed as a percentage) under Regulation D of the Board of Governors of the Federal Reserve System, or such additional, substituted or amended reserve requirement, applicable to member banks of the Federal Reserve System, in respect of non-personal time deposits in Dollars in the City of Dallas, Texas, having a maturity comparable to such Interest Period and in an amount of \$100,000.00 or more. The CD Reserve Percentage shall be a fixed percentage calculated as of and effective with the first day of such Interest Period, taking into consideration changes scheduled to occur during such Interest Period.

"Default Rate" shall mean (i) from the date that any payment is due until ten (10) days thereafter, an interest rate per annum equal to the lesser of (y) two (2) percent above the interest rate otherwise applicable to such payment or, if there is no otherwise applicable interest rate, two (2) percent above the Prime Rate or (z) the Highest Lawful Rate and thereafter (ii) the Highest Lawful Rate.

"Derivation CD Rate" shall mean, for the applicable Interest Period, the rate per annum determined by Lender, in accordance with its customary general practice from time to time, to be the rate that is or would be offered or quoted to Lender at its request by one or more primary dealers who make markets in certificates of deposit for the purchase at face value from Lender of certificates of deposit issued by Lender in the amount of Five Million Dollars (\$5,000,000.00), having a term comparable to such Interest Period, as of approximately 8:00 a.m. Dallas, Texas time (or as soon thereafter as practicable) on the first day of such Interest Period. If no such offers or quotes are generally available for such amount, then Lender shall be entitled to determine the Derivation CD Rate by estimating in its reasonable judgment the per annum rate (as described above) that would be applicable if such quotes or offers were generally available.

"Dollars" and the sign "\$" shall mean lawful money of the United States of America.

"Eurodollar Rate" shall mean an interest rate per annum equal to a rate determined pursuant to the following formula:

London Interbank Rate

100% - Eurodollar Reserve Percentage

"Eurodollar Rate Loan" shall mean each Loan which bears interest based on the Eurodollar Rate.

"Eurodollar Reserve Percentage" shall mean the maximum reserve requirement (including, without limitation, any basic, supplemental, marginal and emergency reserves) (expressed as a percentage) applicable to member banks of the Federal Reserve System in respect of "Eurocurrency Liabilities" under Regulation D of the Board of Governors of the Federal Reserve System, or such additional, substituted or amended reserve requirement as may be hereafter applicable to member banks of the Federal Reserve System.

"Fixed Rate Loan" shall mean an Agreed Rate Loan, CD Rate Loan, or Eurodollar Rate Loan, as the context requires.

"hereof," "hereto," "hereunder" and similar terms shall refer to this Note and not to any particular section or provision of this Note.

"Highest Lawful Rate" shall mean at the particular time in question the maximum rate of interest per annum which, under Applicable Law, Lender is then permitted to charge Borrower on the Obligation. If the Highest Lawful Rate shall change after the date hereof, the Highest Lawful Rate shall be automatically increased or decreased, as the case may be, from time to time as of the effective time of each change in the Highest Lawful Rate without notice to Borrower; provided, however, the Highest Lawful Rate shall decrease with respect to the Note only if required by Applicable Law. For purposes of determining the Highest Lawful Rate under the Applicable Law of the State of

Texas, the applicable rate ceiling shall be the indicated rate ceiling described in and computed in accordance with the provisions of Section (a) (1) of Art. 1.04, provided, that at any time such indicated rate ceiling shall be less than 18% per annum or more than 24% per annum, the provisions of Section (b) (1) and (2) of Art. 1.04 shall control for purposes of such determination, as applicable.

"Interest Period" means, for each Loan, the period commencing on the date of such Loan and ending on the last day of such period as selected by Borrower pursuant to the provisions hereof. The duration of each such Interest Period for (i) each Eurodollar Rate Loan shall be 1, 2 or 3 months, (ii) each CD Rate Loan shall be 30, 60 or 90 days, (iii) each Prime Rate Loan shall be from the date of such Prime Rate Loan to the next succeeding April 1, July 1, October 1 or January 1, and (iv) each Agreed Rate Loan shall be up to 30 days as agreed to by Borrower and Lender and confirmed in writing by Borrower, subject to the other provisions hereof, as Borrower may select: provided however, that:

(i) Whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, in the case of any Interest Period for a Eurodollar Rate Loan, that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(ii) No Interest Period with respect to any Committed Loan may extend beyond the Commitment Termination Date.

"Laws" shall mean all constitutions, treaties, statutes, laws, ordinances, regulations, orders, writs, injunctions, or decrees of the United States, any state or commonwealth, any municipality, any foreign country, any territory or possession or any Tribunal.

"Loan" shall mean any Prime Rate Loan, Agreed Rate Loan, CD Rate Loan or Eurodollar Rate Loan, as the context requires.

"London Interbank Rate" shall mean, for the applicable Interest Period, the rate of interest per annum (rounded upward, if necessary, to the next higher 1/16 of 1%) determined by Lender, in accordance with its customary general practice from time to time, to be the rate at which deposits in immediately available funds in Dollars are or would be offered or quoted by Lender to major banks in the London interbank market, as of approximately 11:00 a.m. London time, or as soon thereafter as practicable, on the second Business Day immediately preceding the first day of such Interest Period, for a term comparable to such Interest Period and in the amount of Five Million Dollars (\$5,000,000.00). If no such offers or quotes are generally available for such amount, then Lender shall be entitled to determine the London Interbank Rate by estimating in its reasonable judgment the per annum rate (as described above) that would be applicable if such quotes or offers were generally available.

"Obligation" shall mean (without duplication) the aggregate principal

amount of and any interest, fees, and other charges payable by Borrower in respect of the Loans.

"Person" shall mean and include an individual, a partnership, a joint venture, a corporation, a trust, an unincorporated organization and a government or any department, agency or political subdivision thereof.

"Prime Rate" shall mean the prime interest rate charged by Lender as announced or published by Lender from time to time. It is understood that the Prime Rate is set by Lender as a general reference rate of interest and is not necessarily the lowest or best rate actually charged to any customer or a favored rate.

"Prime Rate Loan" shall mean each Loan which bears interest based on the Prime Rate.

"Taxes" shall mean all taxes, assessments, fees or other charges from time to time or at any time imposed by any Laws or by any Tribunal.

"Tribunal" shall mean any state, commonwealth, federal foreign, territorial, or other court or governmental department, commission, board, bureau, district, agency or instrumentality.

"Type Loan" shall mean with respect to the Loan, a Prime Rate Loan, Agreed Rate Loan, CD Rate Loan, or a Eurodollar Rate Loan.

NOTICE OF FINAL AGREEMENT, THIS WRITTEN PROMISSORY NOTE AND ANY OTHER DOCUMENTS EXECUTED IN CONNECTION HERewith REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES, THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

BORROWER:

BORROWER:

LUBY'S CAFETERIAS, INC.

LUBY'S CAFETERIAS, INC.

By: Ralph Erben

By: John E. Curtis, Jr.

Name: Ralph Erben

Name: John E. Curtis, Jr.

Title: President and CEO

Title: Senior vice President, CFO and Treasurer

Executed by Lender for the purpose of the Notice of Final Agreement set forth above.

LENDER:

NATIONSBANK OF TEXAS, N.A.

By: Doug Hutt

Name: Doug Hutt

Title: Senior Vice President

COMPUTATION OF PER SHARE EARNINGS

The following is a computation of the weighted average number of shares outstanding which is used in the computation of per share earnings for Luby's Cafeterias, Inc. for the three and six months ended February 28, 1994 and 1993.

Three months ended February 28, 1994:

26,388,690 x shares outstanding for 2 days	52,777,380
26,389,190 x shares outstanding for 10 days	263,891,900
26,314,582 x shares outstanding for 19 days	499,977,058
26,077,694 x shares outstanding for 16 days	417,243,104
26,066,151 x shares outstanding for 15 days	390,992,265
26,054,664 x shares outstanding for 14 days	364,765,296
25,907,814 x shares outstanding for 14 days	362,709,396

2,352,356,399
90

26,137,293

Six months ended February 28, 1994:

27,227,108 x shares outstanding for 1 day	27,227,108
27,214,570 x shares outstanding for 15 days	408,218,550
27,145,448 x shares outstanding for 14 days	380,036,272
27,022,276 x shares outstanding for 12 days	324,267,312
26,820,618 x shares outstanding for 19 days	509,591,742
26,420,208 x shares outstanding for 11 days	290,622,288
26,388,690 x shares outstanding for 21 days	554,162,490
26,389,190 x shares outstanding for 10 days	263,891,900
26,314,582 x shares outstanding for 19 days	499,977,058
26,077,694 x shares outstanding for 16 days	417,243,104
26,066,151 x shares outstanding for 15 days	390,992,265
26,054,664 x shares outstanding for 14 days	364,765,296
25,907,814 x shares outstanding for 14 days	362,709,396

4,793,704,781
181

26,484,557

Three months ended February 28, 1993:

27,134,265 x shares outstanding for 3 days	81,402,795
27,134,512 x shares outstanding for 14 days	379,883,168
27,141,134 x shares outstanding for 17 days	461,399,278
27,149,905 x shares outstanding for 25 days	678,747,625
27,179,067 x shares outstanding for 4 days	108,716,268
27,227,626 x shares outstanding for 15 days	408,414,390
27,238,292 x shares outstanding for 12 days	326,859,504

2,445,423,028
90

27,171,367

Six months ended February 28, 1993:

27,133,567 x shares outstanding for 28 days	759,739,876
27,133,663 x shares outstanding for 23 days	624,074,249
27,134,265 x shares outstanding for 43 days	1,166,773,395
27,134,512 x shares outstanding for 14 days	379,883,168
27,141,134 x shares outstanding for 17 days	461,399,278
27,149,905 x shares outstanding for 25 days	678,747,625
27,179,067 x shares outstanding for 4 days	108,716,268
27,227,626 x shares outstanding for 15 days	408,414,390
27,238,292 x shares outstanding for 12 days	326,859,504

4,914,607,753
181

27,152,529