

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-01-11** | Period of Report: **1994-11-30**
SEC Accession No. **0000016099-95-000002**

([HTML Version](#) on secdatabase.com)

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.: **95500944**
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 November 30, 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

accounting change	8,683	8,605
Cumulative effect as of August 31, 1993 of change in method of accounting for income taxes - Note 2	---	1,563
	<hr/>	<hr/>
Net income	8,683	10,168
Retained earnings at beginning of period	229,014	206,214
Cash dividends	(4,024)	(3,958)
Treasury stock transactions	(156)	---
	<hr/>	<hr/>
Retained earnings at end of period	\$233,517	\$212,424
	<hr/>	<hr/>
Earnings per share:		
Income before cumulative effect of accounting change	\$.35	\$.32
Cumulative effect of accounting change - Note 2	---	.06
	<hr/>	<hr/>
Net income per share	\$.35	\$.38
	<hr/>	<hr/>
Cash dividend per share	\$.165	\$.15
	<hr/>	<hr/>
Average number of shares outstanding	24,776	26,828

See accompanying notes.

Part I - FINANCIAL INFORMATION (continued)

Item 1. Financial Statements (continued).

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

	November 30, 1994	August 31, 1994
	<hr/>	<hr/>
	(Thousands of dollars)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,206	\$ 10,909

Trade accounts and other receivables	310	275
Food and supply inventories	3,623	3,851
Prepaid expenses	2,872	2,840
Deferred income taxes	292	259
	<hr/>	<hr/>
Total current assets	15,303	18,134
Investments and other assets - at cost	14,061	13,702
Property, plant, and equipment - at cost, net	261,011	257,832
	<hr/>	<hr/>
	\$290,375	\$289,668
	<hr/>	<hr/>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Short-term borrowings	\$ 30,000	\$ 17,000
Accounts payable - trade	10,099	10,341
Dividends payable	4,024	4,144
Accrued expenses and other liabilities	18,574	21,927
Income taxes payable	6,762	2,950
	<hr/>	<hr/>
Total current liabilities	69,459	56,362
Deferred income taxes and other credits	19,698	19,780
Shareholders' equity:		
Common stock	8,769	8,769
Paid-in capital	26,945	26,945
Retained earnings	233,517	229,014
Less cost of treasury stock	(68,013)	(51,202)
	<hr/>	<hr/>
Total shareholders' equity	201,218	213,526
	<hr/>	<hr/>
	\$290,375	\$289,668
	<hr/>	<hr/>

See accompanying notes.

Part I - FINANCIAL INFORMATION (continued)

Item 1. Financial Statements (continued).

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

Three Months Ended

	November 30, 1994	1993
	(Thousands of dollars)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 8,683	\$10,168
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,008	3,876
Cumulative effect of accounting change	---	(1,563)
Decrease in accrued expenses and other liabilities	(3,241)	(5,133)
Other	2,755	1,872
	-----	-----
Net cash provided by operating activities	12,205	9,220
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of land held for future use	(1,916)	---
Purchases of property, plant, and equipment	(4,893)	(4,285)
	-----	-----
Net cash used in investing activities	(6,809)	(4,285)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock under employee benefit plans	158	82
Net proceeds from short-term borrowings	13,000	---
Purchases of treasury stock	(17,113)	(18,715)
Dividends paid	(4,144)	(4,084)
	-----	-----
Net cash used in financing activities	(8,099)	(22,717)
	-----	-----
Net decrease in cash and cash equivalents	(2,703)	(17,782)
Cash and cash equivalents at beginning of period	10,909	34,305
	-----	-----
Cash and cash equivalents at end of period	\$ 8,206	\$16,523
	-----	-----

See accompanying notes.

Part I - FINANCIAL INFORMATION (continued)

Item 1. Financial Statements (continued).

LUBY'S CAFETERIAS, INC.
NOTES TO FINANCIAL STATEMENTS
November 30, 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 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 elected not to restate the financial statements of any prior years. The effect of the change on pretax income from continuing operations for the three month period ended November 30, 1993, was not material; however, the cumulative effect of the change increased net income by \$1,563,000, or \$.06 per share.

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 \$2,703,000 from the end of the preceding fiscal year to November 30, 1994. All capital expenditures for fiscal 1995 are being funded from cash flows from operations, cash equivalents, and short-term borrowings. Capital expenditures for the three months ended November 30, 1994, were \$6,809,000. As of November 30, 1994, the Company owned 18 undeveloped land sites and seven land sites on which cafeterias are under construction.

During the three months ended November 30, 1994, the Company purchased 748,400 shares of its common stock at a cost of \$17,237,000, 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 \$39,000,000 line of credit agreement. At November 30, 1994, the amount outstanding under this line of credit was \$30,000,000. The Company believes that additional financing from external sources can be obtained on terms acceptable to the Company in the event such financing is required.

Results of Operations

Quarter ended November 30, 1994 compared to the quarter ended November 30, 1993.

Sales increased \$7,280,000, or 7.7%, due to the addition of three new cafeterias in fiscal 1995 and eight in fiscal 1994, and due to an increase in average sales volume at cafeterias opened over one year.

Cost of food increased \$1,313,000, or 5.5%, due primarily to the increase in sales. As a percentage of sales, food costs were higher in the first quarter of fiscal 1994 than in fiscal 1995 due to higher food costs for certain items such as poultry, oils, and shortening. Payroll and related costs increased \$1,803,000, or 6.9%, due primarily to the increase in sales, and were partially offset by lower costs of workers' compensation insurance. Occupancy and other operating expenses increased \$2,666,000, or 9.8%, due primarily to the increase in sales; the opening of three new cafeterias; higher advertising expenditures; and higher managers' salaries, which are based on the profitability of the cafeterias. During fiscal 1995 the Company has budgeted advertising expense at 2% of sales, up from 1.5% in the first quarter of fiscal 1994. General and administrative expenses increased \$1,192,000, or 33.3%, due primarily to the higher Company contribution to the profit sharing and retirement plan as determined by the plan's provisions during the quarter ended November 30, 1994.

The provision for income taxes increased \$33,000, or 0.6%, due primarily to the increase in operating income. The effective income tax rate decreased slightly from 37.6% to 37.5%.

General increases in costs of food, wages, supplies, and services make it necessary for the Company to increase its menu prices from time to time. Effective December 1, 1994, the Company increased the price of the Lu Ann platter, its primary bundled meal, from \$3.98 to \$4.25 in all markets except Florida. The Company anticipates that the tray average will increase approximately 2% as a result of this price change.

Part II - OTHER INFORMATION

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).
- 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 (filed as Exhibit 4(d) to the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 1994, and incorporated herein by reference).
- 4(e) Promissory Note (Loan Agreement) dated November 15, 1994, in favor of NationsBank of Texas, N.A., in the maximum amount of \$9,000,000.
- 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) 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).

Part II - OTHER INFORMATION (continued)

Item 6. Exhibits and Reports on Form 8-K (continued).

10(e) 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(f) 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).

10(g) Nonemployee Director Deferred Compensation Plan of Luby's Cafeteris, Inc. adopted October 27, 1994.

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

By: John E. Curtis, Jr.

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

Dated: January 11, 1995

EXHIBIT INDEX

Number Document

- 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).
- 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 (filed as Exhibit 4(d) to the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 1994, and incorporated herein by reference).
- 4(e) Promissory Note (Loan Agreement) dated November 15, 1994, in favor of NationsBank of Texas, N.A., in the maximum amount of \$9,000,000.
- 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) 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(e) 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).

EXHIBIT INDEX (continued)

- | Number | Document |
|--------|--|
| 10(f) | 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). |
| 10(g) | Nonemployee Director Deferred Compensation Plan of Luby's Cafeteris, Inc. adopted October 27, 1994. |
| 11 | Statement re computation of per share earnings. |

PROMISSORY NOTE

Dallas, Texas

November 15, 1994

Borrower: LUBY'S CAFETERIAS, INC.

Maximum Amount: \$9,000,000.00

Interest Rate Options (check options available):

X	Agreed Rate	
—		
x	Prime Rate	.50%
—		—
x	CD Rate +	.50%
—		—
x	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").

x 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):

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

N/A 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:

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 may end after January 31, 1995.

"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.

By: Ralph Erben

Name: Ralph Erben

Title: President and CEO

LUBY'S CAFETERIAS, INC.

By: John E. Curtis, Jr.

Name: John E. Curtis, Jr.

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

LUBY'S CAFETERIAS, INC.
NONEMPLOYEE DIRECTOR DEFERRED COMPENSATION PLAN

1. Purpose and Effectiveness

The purpose of the Luby's Cafeterias, Inc. Nonemployee Director Deferred Compensation Plan (the "Plan") is to assist Luby's Cafeterias, Inc. (the "Company") in attracting and retaining the services of qualified individuals to serve on the Board of Directors of the Company. To accomplish these objectives, the Plan authorizes the establishment of procedures to defer income which the individuals do not wish to receive contemporaneously with service. The Plan shall be effective on January 1, 1995 (the "Effective Date").

2. Participants

Participants shall be directors of the Company who are not employees of the Company (the "Nonemployee Directors"). Any Nonemployee Director shall be eligible to participate in the Plan. A Nonemployee Director may become a participant in the Plan by electing to defer all or a portion of his or her director's fees in accordance with Section 3.

3. Deferral of Director Fees

(a) Deferral Election. By written notice to the Treasurer of the Company, received by the Treasurer of the Company, or postmarked not later than December 31 preceding the beginning of any calendar year, any Nonemployee Director may elect to defer all or a portion of his or her director's fees (including meeting, committee, and other fees) which may be payable to him or her by the Company for director services rendered during such calendar year ("Director's Fees") and to have such deferred Director's Fees held for his or her benefit under the terms of the Plan. Any such election must specify the amount of deferral and time and manner of distribution, as described in subsections (i) and (ii) below.

(i) Amount of Deferral. Subject to a minimum annual deferral of \$2,500, a participant must specify the amount of Director's Fees which he or she chooses to defer as (A) his or her total Director's Fees for the next year; or (B) a percentage of his or her total Director's Fees for the next year; or (C) a flat dollar amount not in excess of his or her total Director's Fees. If a participant elects to defer less than one-hundred percent of his or her Director's Fees, deferrals will be deducted on a pro-rata basis from the payment of Director's Fees for regularly scheduled meetings of the Board of Directors and other regularly scheduled payments to directors.

Notwithstanding any other provisions hereof, a participant may not defer any portion of his or her Director's Fees which is attributable to attendance at meetings held prior to the Effective Date.

(ii) Distribution. A participant must elect to receive the value of the deferred Director's Fees, plus earnings thereon, in (A) a single payment, or (B) in two or more equal annual installments, not to exceed five such annual installments; and commencing, at his or her election (x) thirty days following the date he or she ceases to be a Director, or (y) on a fixed future date specified in the written election notice, or (z) upon the participant's attainment of age 70.

(b) Irrevocability. Deferral elections made under the Plan with respect to any calendar year will be final and, after commencement of such calendar year, cannot be amended or revoked in respect of Director's Fees for services rendered during such calendar year.

4. Investment of Deferrals

(a) Individual Accounts. When a participant has elected to defer a portion of his or her Director's Fees pursuant to Section 3, the Company shall establish an account on its books in his or her name and shall cause to be credited to such account as of each deferral date the dollar amount deferred on such deferral date.

(b) No Trust Created. Notwithstanding any language to the contrary herein, or any action taken by the Company hereunder, the Plan shall not create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and the participant, his or her beneficiary or any other person. Any funds which may be invested under the Plan shall continue for all purposes to be a part of the general funds of the Company and no person other than the Company shall have any interest in such funds. To the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

(c) Investment Credits. The participant's account shall be credited on the deferral date with the dollar amount designated for deferral. At the end of each calendar year quarterly period the participant's account will be credited with an amount equal to three months' interest on the average balance credited to such account during such quarter calculated at the average interest rate of a ten-year U.S. Treasury obligation as reported in the Wall Street Journal on the last day of the applicable calendar year quarter. The determination of the applicable interest-rate credit described in this subsection (c) shall be made by the Treasurer of the Company.

5. Administration of the Plan

The Board of Directors of the Company shall administer the Plan. The Board of Directors shall have plenary authority in its discretion to interpret the Plan; to prescribe, amend and rescind rules and regulations relating to it; to determine the terms of deferral agreements executed and delivered under the Plan, including such terms and provisions as shall be requisite in the judgement of the Board of Directors to conform to any change in any law or regulation applicable thereto; and to make all other determinations deemed necessary or advisable for the administration of the Plan. The determination of the Board of Directors with respect to such matters shall be conclusive.

6. Termination and Amendment of the Plan

The Board of Directors may at any time terminate the Plan or make such modification or amendment of the Plan as it may deem advisable.

7. Restriction Against Assignment

The Company shall pay all amounts payable hereunder only to the person or persons designated by the Plan as participant or beneficiary, as appropriate, and not to any other person or corporation. No part of a participant's account shall be liable for the debts, contracts, or engagements of any participant, his or her beneficiaries or successors in interest, nor shall it be subject to execution by levy, attachment or garnishment or by any other legal or equitable proceedings nor shall any such person have any right to alienate, anticipate, commute, pledge, encumber, or assign any benefits or payments hereunder in any manner whatsoever.

8. Governing Law

The Plan shall be governed by, construed, and enforced in accordance with the internal laws of the State of Delaware, and, where applicable, the laws of the United States.

9. Expenses of Administration

All costs and expenses incurred in the operation and administration of the Plan shall be borne by the Company.

10. Merger or Consolidation

The Company agrees that it will not merge or consolidate with or sell its assets to any other corporation or entity unless and until such corporation or entity shall expressly assume the liabilities of the Company to the participant under the Plan.

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 months ended November 30, 1994 and 1993.

Three months ended November 30, 1994:

25,074,982 x shares outstanding for 18 days	451,349,676
24,941,910 x shares outstanding for 12 days	299,302,920
24,934,917 x shares outstanding for 16 days	398,958,672
24,713,278 x shares outstanding for 15 days	370,699,170
24,520,641 x shares outstanding for 17 days	416,850,897
24,416,386 x shares outstanding for 13 days	317,413,018
	<hr/>
	2,254,574,353
Divided by number of days during the period	91
	<hr/>
	24,775,542

Three months ended November 30, 1993:

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 19 days	501,385,110
	<hr/>
	2,441,348,382
Divided by number of days during the period	91
	<hr/>
	26,828,004

<TABLE> <S> <C>

<ARTICLE> 5

<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	QTR-1
<FISCAL-YEAR-END>	AUG-31-1995
<PERIOD-END>	NOV-30-1994
<CASH>	8,206
<SECURITIES>	0
<RECEIVABLES>	310
<ALLOWANCES>	0
<INVENTORY>	3,623
<CURRENT-ASSETS>	15,303
<PP&E>	380,976
<DEPRECIATION>	119,965
<TOTAL-ASSETS>	290,375
<CURRENT-LIABILITIES>	69,459
<BONDS>	0
<COMMON>	8,769
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<OTHER-SE>	192,449<F1>
<TOTAL-LIABILITY-AND-EQUITY>	290,375
<SALES>	101,446
<TOTAL-REVENUES>	101,446
<CGS>	53,085
<TOTAL-COSTS>	53,085
<OTHER-EXPENSES>	29,962
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	80
<INCOME-PRETAX>	13,893
<INCOME-TAX>	5,210
<INCOME-CONTINUING>	8,683
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	8,683
<EPS-PRIMARY>	0.35
<EPS-DILUTED>	0.35
<FN>	
<F1>Other stockholders' equity amount is less cost of treasury stock of \$68,013.	
</FN>	

</TABLE>