News Release

Luby's, Inc.
2211 Northeast Loop 410
P.O. Box 33069
San Antonio, Texas 78265-3069
210/654 -9000

FOR IMMEDIATE RELEASE

Luby's, Inc. (NYSE:LUB) today announced that it has reached an agreement with its bank syndicate to amend the Company's senior credit facility. The facility as amended has a maturity date of April 2003 (with provisions for extensions under certain conditions), requires scheduled payments of principal which are linked to corresponding reductions on credit available under the facility, places limits on capital expenditures, requires the payment of certain fees to the lending group, and is to be secured by substantially all of the Company's owned real estate. The credit facility had an outstanding balance of $124.1 million (including existing letters of credits) as of June 29, 2001. Existing letters of credit supported by the facility will remain outstanding, but the Company will no longer borrow additional funds under the facility.

The Company also announced that it had issued $10 million of convertible subordinated notes to Harris J. Pappas, Chief Operating Officer, and Christopher J. Pappas, President and Chief Executive Officer, as contemplated by the previously announced Purchase Agreement with those individuals dated March 9, 2001. The Pappas brothers have satisfied their obligation to purchase notes from the Company under the terms of the Purchase Agreement.

Chris Pappas said, "We are pleased that we could reach an accord with our lenders, and we thank them for working closely with us. All of Luby's employees can now focus their energies on excellence in execution and delivery of our product. Harris and I are excited about the future of Luby's."

The Company reiterated that operating results through February 28, 2001, resulted in its non-compliance with two financial covenants of the credit facility. There was no payment default and the non-compliance did not reflect an inability of the Company to pay its debts as they became due in the ordinary course. The financial covenants have been amended to be consistent with the Company's current business plan by eliminating existing covenants and replacing them with covenants relating to the Company's EBITDA (earnings before interest, taxes, depreciation and amortization). Management believes that cash from operations, together with the proceeds from the Pappas notes, will be sufficient to provide for the Company's operational needs through the term of the credit facility. Because the amendment to the credit facility had not been completed when the Company filed its Quarterly Report on Form 10-Q on March 15, 2001, the Company was required to classify its outstanding borrowings under the credit facility as current liabilities. As a result of the amendment to the credit facility, borrowings under the facility will be reclassified as long-term liabilities. The amendment to the credit facility and all ancillary documents will be filed as exhibits to the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2001, which will be filed on or before July 16, 2001.

The San Antonio-based company operates 215 Luby's in ten states, and its stock is traded on the New York Stock Exchange (symbol LUB).

Certain statements in this press release could constitute "forward-looking" statements which represent the company's expectations or beliefs concerning future results and growth. The company cautions that a number of important factors could, individually or in the aggregate, cause actual results to differ materially from such forward-looking statements, including but not limited to general business conditions; the impact of competition; the seasonality of the company's business, taxes, inflation, and government regulations; as well as other risks and uncertainties disclosed in periodic reports on Form 10-K and Form 10-Q filed with the Securities and Exchange Commission. Efforts to close, sell, or improve operating results of underperforming stores depend on many factors not within the company's control, such as the negotiation of settlements of existing lease obligations under acceptable terms, availability of qualified buyers for owned locations, customer traffic, and general business conditions.