

# News Release

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FOR IMMEDIATE RELEASE

## **Luby's Announces Refinancing Proposal Unsatisfactory** *- Recent Changes Create Agreement Not in Best Interest of Company -*

SAN ANTONIO, TEXAS – JANUARY 29, 2003. Luby's today announced it will not be able to finalize the financing agreement it has been negotiating with a third-party lender because it considers recent changes to the structure by the lender to not be in the best interest of the company. The company originally expected that it would finalize a long-term agreement with the lender before January 31, 2003, providing \$80 million to pay off a major portion of its short-term debt. Payment of this \$80 million by that date is presently required under the terms of Luby's existing credit facility.

"We are disappointed that we have not been able to come to an agreement with the third-party lender," said Chris Pappas, Luby's President and CEO, "but we are not willing to bind ourselves to the loan proposal recently presented to us because it is clearly not in Luby's best interest."

Luby's also announced today that management has met with representatives of the lenders involved in its existing credit facility to advise them of its concerns with the terms of the refinancing facility. The company has requested that its current lenders consider modifications to the terms of its credit facility; in the interim, it is seeking a waiver of the payment due January 31, 2003. Although Luby's has not yet resolved these issues, it continues to work with its lenders to devise a financing structure that will enhance the operational future of the company and permit the repayment of the company's indebtedness in an acceptable manner.

"In addition to this potential lender, we still have a number of options open to us which we have already begun to pursue. The current situation is a distraction, but it does not impact our efforts at the restaurant level to provide high quality food and service to all of our customers and return the restaurants to profitability," said Pappas.

Luby's provides its customers with delicious, home-style food, value pricing, and outstanding customer service at its 193 restaurants in ten states. Luby's stock is traded on the New York Stock Exchange (symbol LUB).

*The Company wishes to caution readers that various factors could cause its actual financial and operational results to differ materially from those indicated by forward-looking statements made from time to time in news releases, reports, proxy statements, registration statements, and other written communications, as well as oral statements made from time to time by representatives of the Company. Except for historical information, matters discussed in such oral and written communications are forward-looking statements that involve risks and uncertainties, including but not limited to general business conditions, the impact of competition, the success of operating initiatives, changes in the cost and supply of food and labor, the seasonality of the Company's business, taxes, inflation, governmental regulations, and the availability of credit, as well as other risks and uncertainties disclosed in periodic reports on Form 10-K and Form 10-Q.*