

Exhibit 3

Yes!Less APA

[See Attached]

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "Agreement") is made and entered into as of May __, 2003, by and between Fleming Companies, Inc. an Oklahoma corporation, and Favara Concepts, Ltd., a Delaware corporation (together, the "Seller"), and Grocery Outlet Inc., a California corporation (the "Buyer").

WITNESSETH:

WHEREAS, Seller and certain affiliates thereof filed a voluntary petition (the "Petition") for relief pursuant to Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §101 et seq., as amended (the "Bankruptcy Code"), in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") on April 1, 2003 (the "Filing Date") and has operated its business as a debtor-in-possession (as defined in Section 1101 of Bankruptcy Code) as authorized by Sections 1107 and 1108 of the Bankruptcy Code since the Filing Date;

WHEREAS, Seller owns the Property (hereinafter defined) which is located at those locations listed on Exhibit A (the "Locations"); and

WHEREAS, Seller leases the Locations from third parties, including those Locations listed on Exhibit B (the "Stores"), which Stores are leased pursuant to those leases described on attached Exhibit C (the "Leases"); and

WHEREAS, Seller desires to sell the Property and assign the Leases to Buyer and Buyer desires to purchase the Property and assume the Leases from Seller, all on the terms and conditions herein set forth; and

WHEREAS, Seller and Buyer previously entered into an Asset Purchase Agreement dated as of May 15, 2003 (the "Prior Agreement") regarding the subject matter hereof; and

WHEREAS, Seller and Buyer have agreed to amend and restate the Prior Agreement as set forth herein.

NOW, THEREFORE, in consideration of the recitals hereinabove set forth, and for other good and valuable consideration, the receipt and sufficiency thereof being hereby acknowledged, and intending to be legally bound hereby, Seller and Buyer hereby agree as follows:

1. Sale of Property; Assignment and Assumption of Leases.

(a) Subject to the entry of the Sale Order (hereinafter defined), Seller hereby agrees to sell and convey to Buyer, and Buyer hereby agrees to purchase from Seller, subject to the terms and conditions set forth herein, all the fixtures and equipment located in the Stores listed on Exhibit A (the "Property"), free and clear of all liens, encumbrances or claims of any kind. A list of all the Property is attached to Exhibit A and initialed by Seller and Buyer. Immediately prior to the Closing, Seller and Buyer shall conduct a final inventory of the Property and Exhibit A shall be revised accordingly. If such inventory materially differs from the list of Property initially attached to Exhibit

A, the Purchase Price shall be adjusted based upon a ratio of Purchase Price to Seller's book value of the Property.

(b) Subject to the entry of the Sale Order, on the Closing Date, Seller shall assign to Buyer all of Seller's right, title and interest in and to the Leases, free and clear of all liens, encumbrances, claims and/or defaults of any kind, and Buyer shall assume and agree to perform Seller's prospective obligations under the Leases.

2. Purchase Price. Subject to adjustment as provided in Section 1(a), the purchase price for the Property and Leases (the "Purchase Price") shall be One Million Dollars (\$1,000,000.00), payable by wire transfer on the Closing Date. The Purchase Price shall be allocated as follows: Nine Hundred Seventy Five Thousand Dollars (\$975,000.00) for the Property and Twenty-five Thousand Dollars (\$25,000) for the Leases.

3. Conveyance of Property; Assignment of Leases. At Closing, Seller shall convey to Buyer title to the Property by bill of sale in the form of Exhibit D (the "Bill of Sale"). In addition, at Closing, Seller and Buyer shall execute an assignment and assumption agreement for the Leases in the form of Exhibit E (the "Assignment and Assumption Agreement").

4. Closing and Escrow.

(a) Closing Date. The closing of the transaction contemplated herein (the "Closing") shall be held in escrow not later than two (2) Business Days after the date of the entry by the Bankruptcy Court of the Sale Order (the "Closing Date"). The delivery of the Purchase Price and the documents to be delivered hereunder, and any other items agreed upon by Buyer and Seller, shall occur through Chicago Title and Trust Company, 171 North Clark, Mail Location 04CI, Chicago, IL 60601, Attn: Cindy Malone (the "Escrow Agent") pursuant to written escrow instructions in accordance with the terms of this Agreement. The Closing Date may not be extended without the written approval of Seller and Buyer.

(b) Seller's Closing Documents. At or before Closing, Seller shall deliver to Buyer the following:

- (i) the duly executed and acknowledged Bill of Sale conveying the Property to Buyer;
- (ii) the Assignment and Assumption Agreement; and
- (iii) a closing statement in form and content reasonably satisfactory to Buyer and Seller (the "Closing Statement").

(c) Buyer's Closing Documents. At or before Closing, Buyer shall deliver to Seller the following:

- (i) The Closing Statement;
- (ii) the Assignment and Assumption Agreement; and

(iii) the Purchase Price, as adjusted by any prorations.

(d) Other Documents. Seller and Buyer shall each deposit, or cause the deposit, with the Escrow Agent such other instruments as are reasonably required to close the escrow and consummate the purchase of the Property in accordance with the terms hereof; provided, however, Seller shall have no obligation to execute or deliver any affidavit, indemnity, undertaking or similar document.

(e) Payments, Prorations and Adjustments; Cure Payments. Personal property taxes owed by Seller with respect to the Property for 2002 and all real estate taxes, common area maintenance charges and insurance charges payable by Seller under the Lease for 2002 shall be paid by Seller at the Closing. Except as set forth below, personal property taxes owed by Seller with respect to the Property for 2003 and all real estate taxes, common area maintenance charges and insurance charges payable by Seller under the Lease for 2003 (collectively, the "2003 Additional Charges") shall be prorated and adjusted to the Closing Date. No 2003 Additional Charges payable under the Leases for the Stores located at 1518 Buckingham Road, Garland, Texas and 1508 Midwestern Parkway, Wichita Falls, Texas, (the "Additional Leases") shall be prorated and Buyer shall be responsible for all such amounts with no corresponding reduction in the Purchase Price. In addition, Buyer shall be responsible for all cure payments, if any, required to be made in connection with the assumption by Seller and assignment to Buyer of the Additional Leases, and such cure payments shall not result in corresponding reductions in the Purchase Price. Notwithstanding the foregoing, if such cure payments will exceed Five Thousand Dollars (\$5,000), Buyer may elect not to assume the Additional Leases by giving written notice to Seller promptly following the determination of the amount of such payments.

(f) Closing Costs. Seller and Buyer shall share equally the costs and charges of the escrow for the sale. Buyer and Seller shall each pay their own attorney's fees in connection with this Agreement and the Closing.

5. "AS-IS" PURCHASE.

(A) BUYER ACKNOWLEDGES AND AGREES THAT BUYER IS PURCHASING THE PROPERTY AND ASSUMING THE LEASES "AS-IS" "WHERE-IS" AND "WITH ALL FAULTS" WITHOUT ANY WARRANTIES, REPRESENTATIONS OR GUARANTEES, EITHER EXPRESSED OR IMPLIED, OF ANY KIND, NATURE, OR TYPE WHATSOEVER FROM, OR ON BEHALF OF, SELLER. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, BUYER ACKNOWLEDGES AND AGREES THAT SELLER HEREBY EXPRESSLY DISCLAIMS ANY AND ALL IMPLIED WARRANTIES CONCERNING THE CONDITION OF THE PROPERTY OR THE STORES AND ANY PORTIONS THEREOF, INCLUDING, BUT NOT LIMITED TO, ENVIRONMENTAL CONDITIONS, THE IMPLIED WARRANTIES OF HABITABILITY, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE.

(B) BUYER ACKNOWLEDGES AND AGREES THAT BUYER HAS NOT

RELIED, AND WILL NOT RELY, UPON ANY REPRESENTATIONS OR WARRANTIES (ORAL OR WRITTEN) MADE BY, OR PURPORTEDLY MADE ON BEHALF OF, SELLER. BUYER FURTHER ACKNOWLEDGES AND AGREES THAT BUYER HAS NOT RELIED, AND WILL NOT RELY, UPON ANY DOCUMENTS OR OTHER INFORMATION (ORAL OR WRITTEN) PROVIDED BY, OR PURPORTEDLY PROVIDED ON BEHALF OF, SELLER, EXCEPT FOR DOCUMENTS SPECIFICALLY PROVIDED TO BUYER BY SELLER AS SET FORTH IN THIS AGREEMENT. EXCEPT FOR DOCUMENTS PROVIDED AS EXHIBITS A, B AND C, AND COPIES OF ALL LEASES AND ANY AMENDMENTS THERETO, BUYER UNDERSTANDS AND AGREES THAT ANY DOCUMENTS OR INFORMATION PROVIDED TO BUYER BY SELLER OR ON SELLER'S BEHALF HAVE BEEN OBTAINED FROM A VARIETY OF SOURCES AND HAVE NOT BEEN INDEPENDENTLY INVESTIGATED OR VERIFIED BY SELLER AND ARE NOT TO BE RELIED UPON BY BUYER IN PURCHASING THE PROPERTY OR ASSUMING THE LEASES. EXCEPT FOR DOCUMENTS PROVIDED AS EXHIBITS A, B AND C, AND COPIES OF ALL LEASES AND ANY AMENDMENTS THERETO, SELLER MAKES NO EXPRESS REPRESENTATIONS OR WARRANTIES AND SELLER HEREBY DISCLAIMS, ANY AND ALL IMPLIED WARRANTIES CONCERNING THE TRUTH, ACCURACY AND COMPLETENESS OF ANY DOCUMENTS OR INFORMATION PROVIDED TO BUYER BY SELLER OR BY ANYONE ACTING, OR PURPORTING TO ACT, ON BEHALF OF SELLER.

(C) EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED IN THIS AGREEMENT, BUYER AGREES THAT NO REPRESENTATION BY OR ON BEHALF OF SELLER HAVE BEEN MADE TO BUYER AS TO THE CONDITION OF THE PROPERTY OR THE STORES, ANY RESTRICTIONS RELATED TO THE DEVELOPMENT OF THE PROPERTY, THE APPLICABILITY OF OR COMPLIANCE WITH ANY GOVERNMENTAL REQUIREMENTS, INCLUDING, BUT NOT LIMITED TO, ENVIRONMENTAL LAWS, OR THE SUITABILITY OF THE PROPERTY FOR ANY PURPOSE WHATSOEVER. BUYER ACKNOWLEDGES THAT SELLER DOES NOT POSSESS ANY EXPERTISE CONCERNING HAZARDOUS MATERIALS (AS DEFINED BY ANY FEDERAL OR STATE LAW, RULE OR REGULATION) INCLUDING, WITHOUT LIMITATION, ASBESTOS, AND, EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED IN THIS AGREEMENT, THAT BUYER IS NOT RELYING ON ANY REPRESENTATION, OR THE LACK OF SAME, WITH RESPECT TO HAZARDOUS MATERIALS AS THEY APPLY TO THE STORES.

(D) BUYER UNCONDITIONALLY WAIVES AND RELEASES SELLER FROM AND AGAINST ANY AND ALL LIABILITY OF SELLER, WHETHER KNOWN OR UNKNOWN, PRESENT OR FUTURE, ARISING OUT OF OR RELATING TO THE PRESENCE OR ALLEGED PRESENCE OF HAZARDOUS MATERIALS ON, IN, UNDER, OR ABOUT THE PROPERTY, OR THE VIOLATION OR ALLEGED VIOLATION OF ANY ENVIRONMENTAL LAWS, INCLUDING, BUT NOT LIMITED TO, CERCLA.

6. Sale Order.

(a) Sale Order. The parties agree that this Agreement and each party's respective obligations to close hereunder shall remain subject to the entry of an order in form and substance reasonably satisfactory to Seller and Buyer (the "Sale Order") by the Bankruptcy Court approving the sale and transfer of the Property free and clear of any interest, lien, encumbrance, claim and/or default in such Property of any entity other than Seller to the extent permissible under Section 363 of the Bankruptcy Code and the assignment and assumption of the Leases free and clear of any outstanding unpaid taxes, insurance, rent, additional rent, common area charges and/or defaults as defined in the Leases and the termination of any guaranties of the Leases by Fleming Companies, Inc. Seller shall promptly submit (if not previously submitted) a motion seeking the Sale Order from the Bankruptcy Court with respect to this transaction and pursue obtaining the Sale Order in good faith.

(b) Remedy for Failed Contingencies. If the Bankruptcy Court shall have denied the entry of a Sale Order with respect to the purchase and sale of the Property or assignment and assumption of the Leases pursuant to the terms of this Agreement, then this Agreement shall immediately terminate, and thereafter neither party shall have any rights, obligations or claims hereunder.

(c) Adequate Assurance Data. Prior to or with the execution of this Agreement, Buyer shall supply Seller with (i) the full name and identity of Buyer; (ii) a current financial statement or such other proof of financial condition of Buyer; (iii) a written statement of Buyer's expected use of the Premises; (iv) a projection of gross sales, if the Lease contains a percentage rent provision; and (v) such other documentation as may be reasonably requested by the Bankruptcy Court to demonstrate "adequate assurance of future performance" by Buyer.

7. Default. If Buyer shall fail to complete settlement as herein provided, or otherwise default in any material respect under this Agreement, Seller shall have the right to specifically enforce the terms of this Agreement against Buyer. If Seller shall fail to complete settlement as herein provided, or otherwise default in any material respect under this Agreement, Buyer's sole and exclusive remedy shall be to terminate this Agreement immediately upon written notice thereof to Seller, whereupon Buyer may recover from Seller, its actual reasonable out-of-pocket expenses incurred in connection with this Agreement, which shall not exceed \$75,000.00.

8. Possession; Removal. Possession of the Property where located and possession of the Stores (subject to the Leases) shall be delivered to Buyer on the Closing Date. As soon as reasonably possible following the Closing Date, Buyer, at its expense, shall remove the Property from those Locations not being leased by Buyer and shall indemnify Seller against all claims made by any third parties in regard to such removal.

9. Employees. Seller has, or prior to the Closing will, terminate the employment of all of its employees, as to the locations being assigned to Buyer. Buyer agrees that it shall extend a Good Faith offer of employment to those persons previously employed by Seller in the locations being assigned subject to Buyer's customary interview and hiring process with all such

employees being subject to Buyer's standard provisional periods, rules, procedures and processes. Any and all such employment shall be "at will".

10. Environmental. Seller has no actual knowledge of the presence of any Hazardous Materials (as defined by any federal or applicable state law, rule or regulation) in the Stores in violation of applicable law. As used herein, the term "knowledge" with respect to Seller shall mean only the actual knowledge of Earl Weissert, without any duty of investigation.

11. Miscellaneous.

(a) Notices. Any notice required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given upon the earlier of receipt or three (3) business days after (i) deposit in the United States mail, registered or certified mail, postage prepaid, return receipt requested, (ii) deposit with Federal Express or similar overnight courier, or (iii) delivery by hand, and addressed as follows:

If to Seller: Fleming Companies, Inc.
1945 Lakepointe Drive
Lewisville, TX 75057
Attn: Jim Thatcher

with a copy to: Kirkland & Ellis
200 E. Randolph Drive
Chicago, IL 60601
Attn: Robert T. Buday, Esq.

If to Buyer: Grocery Outlet Inc.
2000 Fifth Street
Berkeley, CA 94710
Attn: Michael Ward
CFO and Group Vice President

or such other address as either party may, from time to time, specify in writing to the other.

(b) Brokers and Finders. Neither party has had any contact or dealings regarding any Property, or any communication in connection with the subject matter of this transaction, through any licensed real estate broker or other person who can claim a right to a commission or finder's fee as a procuring cause of the sale contemplated herein, other than DMC Real Estate, Inc. (the "Broker"). If the retention application for the Broker is approved by the Bankruptcy Court, Seller shall pay the Broker from the sale proceeds at Closing a commission in an amount consistent with the terms of such retention application and consistent with the order of the Bankruptcy Court. Each party hereto hereby indemnifies the other party from and against the claims of any person claiming a brokerage or finder's fee or commission by, through, or under such party. This Section shall survive the Closing and the delivery of the Bill of Sale or the earlier termination of this Agreement.

(c) Successors and Assigns. This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors, heirs, administrators, and assigns. No assignment of this Agreement by Buyer shall relieve Buyer of its obligations hereunder.

(d) Amendments. Except as otherwise provided herein, this Agreement may be amended or modified only by a written instrument executed by Seller and Buyer.

(e) Governing Law. This Agreement shall be governed by, construed in and enforced in accordance with the laws of the State of Texas without regard to choice of law rules.

(f) Merger of Prior Agreements. This Agreement, as may be amended, and the exhibits attached hereto constitute the entire agreement between Buyer and Seller with respect to the purchase and sale of the Property and supersede all prior agreements and understandings between the parties hereto relating to the subject matter hereof. Seller and Buyer agree that the Prior Agreement is superseded in its entirety by this Agreement and is hereby terminated.

(g) Time of the Essence. Time is of the essence in this Agreement.

(h) Consent or Waiver. No consent or waiver, express or implied, by either party to or of any breach or default by the other party in the performance of this Agreement shall be construed as a consent or waiver to or of any subsequent breach or default in the performance by such other party of the same or any other obligations hereunder.

(i) Counterparts. This Agreement may be executed in counterparts and all counterparts shall be considered part of one Agreement binding on all parties hereto.

(j) Captions. Captions herein are for convenience of reference only and in no way define, limit, or expand the scope or intent of this Agreement.

(k) Gender. Whenever the context hereof shall so require, the singular shall include the plural, the male gender shall include the female, and vice versa.

(l) Severability. In the event that one or more of the provisions hereof shall be held to be illegal, invalid, or unenforceable, such provisions shall be deemed severable and the remaining provisions hereof shall continue in full force and effect.

(m) Business Day. As used herein, the term "Business Day" shall mean any day other than Saturday, Sunday or any day banks are authorized or required to be closed in Chicago, Illinois.

(n) Sales Tax. Seller shall be responsible for any sales tax imposed on the sale of the Property.

(o) SUBMISSION TO JURISDICTION. EACH PARTY HERETO HEREBY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY HERETO IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

[Signature Page Follows]

Jun-04-03 10:25am From-Fleming Company


+872-906-2303

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IN WITNESS WHEREOF, the parties hereto have entered into this Agreement as of the Effective Date.

SELLER:

FLEMING COMPANIES, INC., an Oklahoma corporation

By: 
Name: Charles L. Hall
Title: Senior Vice President

FAVAR CONCEPTS, LTD., a Delaware corporation

By: 
Name: Charles L. Hall
Title: Vice President

BUYER:

GROCERY OUTLET INC., a California corporation,

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the parties hereto have entered into this Agreement as of the Effective Date.

SELLER:

FLEMING COMPANIES, INC., an Oklahoma corporation

By: _____
Name: _____
Title: _____

FAVAR CONCEPTS, LTD., a Delaware corporation

By: _____
Name: _____
Title: _____

BUYER:

GROCERY OUTLET INC., a California corporation,

By: Michael Ward
Name: MICHAEL WARD
Title: CHIEF FINANCIAL OFFICER

EXHIBIT "A"

Locations

List all 17 Store Locations and the Fixture and Equipment in each location.

1. ARLINGTON, TX. 1301 N. Collins, Tarrant County. 76011
2. ATHENS, TX. 505 S. Palestine St. @ Robbins, Henderson County. 75751-3321
3. COLLEGE STATION, TX. 2700 Texas Avenue South, Brazos County. 77842
4. DALLAS, TX. 5828 Abrams @ NW Hwy, Dallas County. 75214
5. DENISON, TX. 300 S. Armstrong Avenue, Grayson County. 75020-4460
6. FT. WORTH, TX. 8636 US Hwy 80 West, Tarrant County. 76116
7. FT. WORTH, TX. 5334 Trail Lake Drive, Tarrant County. 76133
8. GARLAND, TX. 1518 Buckingham Road, Dallas County. 75040
9. HURST, TX. 800-700 East Pipeline Road, Tarrant County. 76053
10. KILLEEN, TX. 1001 Veterans' Memorial Blvd., #501F&H, Bell County. 76541
11. LONGVIEW, TX. 1005 N. Eastman Road, Harrison County. 75601
12. MESQUITE, TX. 3639 Gus Thomasson Road, Dallas County. 75150
13. PANTEGO, TX. 2400 W. Pioneer Parkway @ Bowen Rd., Tarrant County. 76013
14. SHERMAN, TX. 1717 Texoma Parkway, Grayson County. 75090-2613
15. SHREVEPORT, LA. 9032 Mansfield Road, Bossier Parish. 71118
16. WACO, TX. 1417 N. Valley Mills Drive, Lennan County. 76711
17. WICHITA FALLS, TX. 1508 Midwestern Parkway, Wichita County. 76302

EXHIBIT "B"

Stores

1. ARLINGTON, TX. 1301 N. Collins, Tarrant County. 76011
2. ATHENS, TX. 505 S. Palestine St. @ Robbins, Henderson County. 75751-3321
3. COLLEGE STATION, TX. 2700 Texas Avenue South, Brazos County. 77842
4. DALLAS, TX. 5828 Abrams @ NW Hwy, Dallas County. 75214
5. DENISON, TX. 300 S. Armstrong Avenue, Grayson County. 75020-4460
6. FT. WORTH, TX. 8636 US Hwy 80 West, Tarrant County. 76116
7. FT. WORTH, TX. 5334 Trail Lake Drive, Tarrant County. 76133
8. GARLAND, TX. 1518 Buckingham Road, Dallas County. 75040
9. HURST, TX. 800-700 East Pipeline Road, Tarrant County. 76053
10. KILLEEN, TX. 1001 Veterans' Memorial Blvd., #501F&H, Bell County. 76541
11. LONGVIEW, TX. 1005 N. Eastman Road, Harrison County. 75601
12. MESQUITE, TX. 3639 Gus Thomasson Road, Dallas County. 75150
13. SHERMAN, TX. 1717 Texoma Parkway, Grayson County. 75090-2613
14. SHREVEPORT, LA. 9032 Mansfield Road, Bossier Parish. 71118
15. WICHITA FALLS, TX. 1508 Midwestern Parkway, Wichita County. 76302

EXHIBIT "C"

Leases

EXHIBIT "D"

Bill of Sale

This Bill of Sale is given as of the ____ day of _____, 2003, by **FLEMING COMPANIES, INC.**, an Oklahoma corporation ("Seller"), to **GROCERY OUTLET INC.**, a California corporation ("Purchaser").

Recitals:

Seller and Purchaser are parties to an Asset Purchase Agreement dated _____, 2003 (the "Agreement"), pursuant to which Seller is selling and Purchaser is purchasing certain assets described on Exhibit A (the "Property") attached hereto.

Pursuant to the Agreement and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller does hereby sell and convey the Property to Buyer. The sale of the Property is subject in all respects to the terms of the Agreement, including, without limitation, the terms of Section 5 thereof.

IN WITNESS WHEREOF, the undersigned has executed this Bill of Sale as of the date first above written.

FLEMING COMPANIES, INC.,
an Oklahoma corporation

By: _____

EXHIBIT "E"

Assignment and Assumption of Lease Agreement

(Yes/Less)

THIS ASSIGNMENT AND ASSUMPTION OF LEASE AGREEMENT

("Agreement") is made as of this ___ day of _____, 2003, by and between Fleming Companies, Inc., an Oklahoma corporation, as debtor and debtor-in-possession operating under Chapter 11 of the Bankruptcy Code (as hereinafter defined) ("**Assignor**"), and Grocery Outlet Inc., a California corporation ("**Assignee**").

RECITALS

A. Assignor is currently the tenant under that certain lease dated as of _____ (such lease, as amended, modified, supplemented or restated is hereinafter referred to as the "**Lease**") for the premises located at _____ and more specifically described in the Lease (the "**Premises**"). A copy of the Lease is attached hereto as Exhibit A. The landlord under the Lease is _____ (the "**Landlord**");

B. On April 1, 2003, Assignor and various of its affiliates filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C §§ 101 et. seq. (the "**Bankruptcy Code**") in the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**"). Assignor continues to operate its business and manage its properties as a debtor-in-possession; and

C. Assignor has agreed to sell, and Assignee has agreed to purchase, all of the fixtures and equipment owned by Assignor and located in the Premises (the "**Fixtures and Equipment**"). In connection with such sale, Assignor desires to assign all of Assignor's right, title and interest as tenant under the Lease to Assignee, and Assignee is desirous of assuming, pursuant to Section 365(f) of the Bankruptcy Code and on the terms and conditions set forth herein, all of Assignor's obligations under the Lease.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto covenant and agree as follows:

1. Assignment and Assumption.

(a) Pursuant to the terms and conditions set forth in this Agreement, Assignor hereby grants, assigns, sets over and conveys to Assignee all of Assignor's right, title, and interest in the Premises and the Lease. Assignee hereby assumes and agrees to perform and fulfill all of Assignor's duties, responsibilities and obligations under the Lease arising or occurring from and after the date hereof.

(b) Further, pursuant to Section 365(f) of the Bankruptcy Code, on and after the Closing, Assignor and its estate shall be relieved from any liability for any breach of

the Lease occurring after the Closing, and Assignee agrees to defend and indemnify Assignor against, and hold Assignor harmless from, any and all claims, actions, proceedings, suits, costs, liabilities, losses, damages or expenses, arising or occurring after the Closing in connection with the performance or observance or the failure or refusal to perform or observe any agreement or obligation of the tenant under the Lease or any term or provision thereof required to be performed by the tenant under the Lease after the date of this Agreement.

(c) Upon entry of the Sale Order (as defined in the Asset Purchase Agreement) by the Bankruptcy Court, the parties shall attach a copy of the Sale Order to this Agreement as Exhibit B, and the Closing shall occur in the manner provided herein.

2. Release. Assignee, for itself, its successors and assigns, does hereby release, acquit, satisfy and forever discharge Assignor, Assignor's affiliates, owners, parent companies and subsidiaries, and their respective past, present and future shareholders, officers, directors, employees, agents, attorneys, representatives, guarantors and predecessors (the "**Released Parties**") from, and do hereby covenant and agree never to institute or cause to be instituted any suit or other form of action or proceeding of any kind or nature whatsoever against the Released Parties based upon any claims, demands, indebtedness, agreements, promises, causes of action, obligations, damages or liabilities of any kind or nature whatsoever, in law or equity, whether or not known, suspected or claimed, that Assignee may hereafter have or claim to have, if any, against the Released Parties by reason of the matter, cause, thing, document, agreement, instrument, act or omission of the Released Parties, arising out of the Lease or the occupancy of the Premises.

3. Closing. The consummation of the assignment and assumption of the Lease pursuant to this Agreement (the "**Closing**") shall take place simultaneously with the closing of the sale of the Fixtures and Equipment. The Assignment and Assumption of the Lease and the sale of the Fixtures and Equipment shall be in accordance with the terms of a certain Asset Purchase Agreement between Assignor and Assignee dated the date hereof (the "Asset Purchase Agreement").

4. Free and Clear of Liens, Claims and Encumbrances. At Closing, the assignment and assumption of the Lease shall be made free and clear of any liens, claims and encumbrances against Assignor's interest in the Lease (other than any liens, claims and encumbrances of Landlord's lender or mortgagee), to the extent permitted under the Bankruptcy Code.

5. Use. Assignee shall use the Premises for the sale of groceries, merchandise and other products typically sold in Assignee's other stores, including, but not limited to, beer and wine, and for such purposes as are authorized under the Lease, or applicable law.

6. Possession. Assignor agrees to provide Assignee with possession of the Premises at Closing.

7. Rent. Commencing on the date of Closing, Assignee shall be responsible for, and shall pay, all rent and other obligations and charges arising after such date under the Lease to the

Landlord in accordance with the terms of the Lease unless otherwise agreed with Landlord. Assignee also agrees to reimburse Assignor for any rent (or other Lease charges) paid by Assignor to the Landlord for any period subsequent to the date of this Agreement. Any such amounts shall be paid to Assignor by Assignee at Closing.

8. “As Is” Transaction. Assignee hereby accepts the Premises “AS IS” and “WITH ALL FAULTS” to the extent set forth in Section 5 of the Asset Purchase Agreement.

9. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Texas. The parties agree that the Bankruptcy Court shall have exclusive jurisdiction over any disputes hereunder, and they each hereby consent to such jurisdiction.

(b) This Agreement and the Asset Purchase Agreement set forth the entire agreement and understanding of the parties with respect to the transactions contemplated hereby and supersede any prior instruments, arrangements and understandings relating to the subject matter hereof.

(c) Assignor may assign its rights and obligations hereunder to any trustee appointed by the Bankruptcy Court. Assignee may not assign its rights and obligations hereunder to any party without Assignor’s written consent and, following Bankruptcy Court approval, any assignment of this Agreement by Assignee must also be permitted by the terms of the Lease or agreed to by the Landlord.

(d) This Agreement may be executed with counterpart signature pages or in more than one counterpart, all of which shall be deemed one and the same agreement.

(e) Any notice, demand, request or other communication which any party hereto may be required or may desire to give hereunder (“Notices”) shall be in writing and shall be given as follows: (i) by hand delivery; (ii) by Federal Express or other reputable express courier service; or (iii) by facsimile transmission (other than for notices of default):

If to Assignor:

Fleming Companies, Inc.
1945 Lakepointe Drive
Lewisville, TX 75057
Attn: Jim Thatcher

with a copy to:

Kirkland & Ellis
200 E. Randolph Drive
Chicago, IL 60601
Attn: Robert T. Buday, Esq.

If to Assignee:

Grocery Outlet Inc.
2000 Fifth Street
Berkeley, CA 94710
Attn: Michael Ward
CFO and Group Vice President

or at such other address or to such other addressee or to such other facsimile number as the party to be served with Notice shall have furnished in writing to the party seeking or desiring to serve Notice as a place for the service of Notice. Notices shall be deemed to have been rendered or given on the date received or on the date they are deemed to be received as hereinafter set forth. The inability to deliver Notices because of changed address of which no notice was given, or rejection or refusal to accept any Notice offered for delivery shall be deemed to be receipt of the Notice as for the date of such inability to deliver or rejection or refusal to accept delivery.

(f) This Agreement can be amended only by a written instrument duly executed by each of the parties.

(g) The parties agree to execute such additional instruments as may be reasonably necessary to carry out the provisions of this Agreement.

(h) If any action is brought by either party against the other party, the prevailing party shall be entitled to recover court costs and reasonable attorneys' fees and costs actually incurred.

(i) This Agreement is deemed to have been drafted jointly by the parties, and any uncertainty or ambiguity shall not be construed for or against either party as an attribution of drafting to either party.

(j) This Agreement and the transaction contemplated hereby are subject in all respects to the terms of the Asset Purchase Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, this Agreement has been duly executed this
_____ day of _____, 2003.

ASSIGNOR:

FLEMING COMPANIES, INC., an Oklahoma
corporation

By: _____
Name: _____
Title: _____

ASSIGNEE:

GROCERY OUTLET INC., a California
corporation

By: _____
Name: _____
Title: _____

STATE OF _____)
) ss.
COUNTY OF _____)

Before me this ____ day of _____, 2003, personally appeared _____, the _____ of Fleming Companies, Inc., to me known to be the person who executed the foregoing instrument on behalf of said corporation.

Print Name: _____
Notary Public, State of _____
My Commission: _____

STATE OF _____)
) ss.
COUNTY OF _____)

Before me this ____ day of _____, 2003, personally appeared _____, the _____ of Grocery Outlet Inc., to me known to be the person who executed the foregoing instrument on behalf of said corporation.

Print Name: _____
Notary Public, State of _____
My Commission: _____

EXHIBIT A

Lease

[See Attached]

EXHIBIT B

Sale Order

[See Attached]