

KIERNAN BRIAN G
Form 4
January 05, 2009

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
KIERNAN BRIAN G

(Last) (First) (Middle)
781 THIRD AVENUE
(Street)

KING OF PRUSSIA, PA 19406

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
InterDigital, Inc. [IDCC]

3. Date of Earliest Transaction (Month/Day/Year)
01/01/2009

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

___ Director ___ 10% Owner
 Officer (give title below) ___ Other (specify below)
Executive VP, Standards

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
			Code	V Amount (A) or (D) Price			
Common Stock	01/01/2009		A	4,150 <u>A</u> (1) \$ 0	39,883	D	
Common Stock	01/01/2009		A	1,000 <u>A</u> (2) \$ 0	40,883	D	
Common Stock	01/01/2009		F ⁽³⁾	358 D \$ 27.5	40,525	D	
Common Stock					2,507 <u>(4)</u>	I	By 401(k) Plan

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Owned Beneficially (Instr. 5)
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares

Reporting Owners

Reporting Owner Name / Address

Relationships

Director 10% Owner Officer Other

KIERNAN BRIAN G
781 THIRD AVENUE
KING OF PRUSSIA, PA 19406

Executive VP, Standards

Signatures

/s/ Jannie K. Lau, Attorney-In-Fact for Brian G. Kiernan

01/05/2009

__Signature of Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Restricted stock units granted pursuant to the company's 1999 Restricted Stock Plan in accordance with the company's Long Term Compensation Program.
- (2) Restricted stock granted pursuant to the company's 1999 Restricted Stock Plan in accordance with the company's supplemental payment program for executive officers.
The transaction reported reflects the withholding of shares of restricted stock in satisfaction of the reporting person's tax liability. The
- (3) shares of restricted stock were part of an award granted to the reporting person on January 1, 2009 pursuant to the company's 1999 Restricted Stock Plan and also reported in this Form 4 and that vested immediately.
- (4) As of the most recently published account statement, the reporting person beneficially owned this number of whole shares of Common Stock pursuant to the InterDigital Savings and Protection Plan.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

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\$

\$ 168,806

160,000

-0- -0-

-0-

-0- \$

\$

\$ -0-

42,800

-0- 20,000

40,000

17,500 \$

\$

\$27,882

25,386

25,444

- (1) Includes amounts deferred by the Named Executive Officers under our 401(k) Savings Plan and our Supplemental Deferred Compensation Plan. The 401(k) Savings Plan was established in fiscal 1992, and all Named Executive Officers are or were eligible to participate during fiscal 2004. Our Supplemental Deferred Compensation Plan was established to take effect for fiscal 1995.
- (2) Includes bonus payments made in the year after the listed year for services performed in the listed year, and excludes bonus payments made in the listed year for services performed in the prior year. Mr. Snollaerts' bonus for fiscal 2003, includes an initial bonus of \$100,000 paid to Mr. Snollaerts in August 2003. (For more information on Mr. Snollaerts' employment agreement with us, see Executive Compensation *Snollaerts Employment Agreement* below.) Mr. Roeder's bonus amount includes a special one-time bonus of \$300,000 paid to him in March 2004 for his assistance in the transition to our successor Chief Executive Officer, Mr. Snollaerts.
- (3) Includes perquisites and other personal benefits, securities or property paid to each Named Executive Officer (including, depending upon the executive officer, reimbursement of tax preparation and/or financial planning expenses, club dues and car allowances). Such perquisites and other personal benefits when stated as zero were less than the lesser of \$50,000 or 10% of the total annual salary and bonus set forth in the columns entitled Salary and Bonus.

- (4) On February 17, 2004, Mr. Snollaerts received a grant of 60,000 restricted shares valued at \$773,400. In fiscal 2003, the following restricted shares were granted on February 19, 2003 and vested on September 24, 2003 at the price of \$6.90 per share: Mr. Roeder, 60,000 shares for \$414,000; Mr. Delolmo, 25,000 shares for \$172,500; Mr. Phegley, 20,000 shares for \$138,000; Mr. Duge, 20,000 shares for \$138,000; and Mr. Alvarado 17,500 shares for \$171,500. In fiscal 2004, the 10,000 restricted shares granted to Mr. Duge on December 7, 2000 vested on February 5, 2004 at a price of \$12.28 per share for \$122,800. Additionally, in 2003, the following restricted shares granted in 2000, as part of the Voluntary Exchange Program of Stock Options for Restricted Stock, vested at the price of \$9.24 per share: Mr. Roeder, 4,421 shares for \$40,850; Mr. Phegley, 3,779 shares for \$34,918; and Mr. Alvarado, 10,076 shares for \$93,102. In 2002, the following restricted shares granted in 1997 vested at the price of \$9.87 per share: Mr. Phegley, 1,200 shares for \$11,844 and Mr. Alvarado, 4,000 shares for \$39,480.
- (5) For fiscal 2004, includes for Messrs. Snollaerts, Roeder, Delolmo, Phegley, Duge and Alvarado, options to purchase 150,000, 100,000, 30,000, 20,000, 20,000 and 20,000 shares, respectively, granted under our Long-Term Equity Compensation Plan. For fiscal 2003, includes for Messrs. Snollaerts, Roeder, Delolmo, Phegley, Duge and Alvarado options to purchase 100,000, 206,250, 100,000, 70,000, 40,000 and 40,000 shares, respectively, granted pursuant to our Long-Term Equity Compensation Plan.
- (6) The compensation reported includes, as applicable, amounts we contributed under our 401(k) Savings Plan, our Supplemental Deferred Compensation Plan and the dollar value of insurance premiums we paid regarding term life insurance and health care plans for the benefit of each Named Executive Officer. The contributions under our 401(k) Savings Plan and our Supplemental Deferred Compensation Plan during fiscal 2004 were as follows: \$4,290 aggregate for both plans to Messrs. Delolmo, Phegley and Alvarado. In fiscal 2003 we contributed as follows to our 401(k) Savings Plan and our Supplemental Deferred Compensation Plan: \$3,960, aggregate for both plans for each of Messrs. Roeder, Phegley, Duge and Alvarado. In fiscal 2002, contributions under our 401(k) Savings Plan and our Supplemental Deferred Compensation Plan were as follows: \$3,630, aggregate for both plans for each of Messrs. Roeder, Phegley, Duge and Alvarado. In fiscal 2004, we paid life and health insurance premiums as follows: \$24,935 for Mr. Snollaerts, \$40,056 for Mr. Roeder, \$24,449 for Mr. Delolmo, \$23,612 for Mr. Phegley, \$21,929 for Mr. Duge and \$23,592 for Mr. Alvarado. In fiscal 2003, we paid life and health insurance premiums as follows: \$5,350 for Mr. Snollaerts, \$33,031 for Mr. Roeder, \$22,067 for Mr. Delolmo, \$21,550 for Mr. Phegley, \$19,979 for Mr. Duge and \$21,426 for Mr. Alvarado. In fiscal 2002, we paid life and health insurance premiums as follows: \$23,930 for Mr. Roeder, \$20,214 for Mr. Delolmo, \$20,462 for Mr. Phegley, \$18,962 for Mr. Duge, and \$21,814 for Mr. Alvarado. Included in Mr. Snollaerts' compensation is expatriate compensation of \$40,049 for fiscal 2004 and \$109,951 for fiscal 2003; these amounts were not reimbursed to us by Casino USA. (For a further discussion of Mr. Snollaerts' expatriate compensation agreement with us, see *Executive Compensation Snollaerts Employment Agreement* below.) Not included in Mr. Delolmo's compensation is the amount of expatriate expenses he was paid by Casino USA. (For a further discussion of Mr. Delolmo's expatriate compensation, see *Compensation Committee Interlocks and Insider Participation Certain Transactions between Smart & Final Inc. and Casino USA* above.) In accordance with the Roeder Employment Agreement, in 2002 Mr. Roeder received additional compensation and a personal tax gross-up of \$619,866. Of this amount \$609,889 represented the principal balance due on two loans and the net amount of a personal tax gross-up and \$9,977 represented the interest due under these loans. In fiscal 2002, Mr. Roeder received as additional compensation, \$23,946 in recognition of interest due under these two loans and the net amount of a personal tax gross-up on this compensation.

Option Grants Table. The table below summarizes options granted during fiscal 2004 to the Named Executive Officers:

OPTION GRANTS IN LAST FISCAL YEAR

<u>Name</u>	<u>Number of Securities Underlying Options Granted (#)(1)</u>	<u>% of Total Options Granted to Employees in Fiscal Year</u>	<u>Exercise Price Per Share (\$/sh)</u>	<u>Expiration Date</u>	<u>Grant Date Present Value of Stock Options (\$)(2)</u>
Etienne Snollaerts	150,000	25.9%	\$ 12.89	2/17/14	\$ 728,650
Ross E. Roeder	100,000	17.3%	\$ 12.89	2/17/14	\$ 424,103
André Delolmo	30,000	5.2%	\$ 12.89	2/17/14	\$ 145,730
Richard N. Phegley	20,000	3.5%	\$ 12.89	2/17/14	\$ 97,153
Zeke Duge	20,000	3.5%	\$ 12.89	2/17/14	\$ 97,153
Donald G. Alvarado	20,000	3.5%	\$ 12.89	2/17/14	\$ 97,153

- (1) Options granted are nonqualified stock options granted under our Long-Term Equity Compensation Plan, and may be exercised for up to ten years after the date of the grant. These options are subject to early termination in the event the option holder ceases to be an employee, becomes permanently disabled or dies. No option can be granted at an option price of less than the fair market value of our common stock at the time the option is granted. For the grants made in 2004, one-third of the options become exercisable two years after the date of grant and each year thereafter so that 100% are exercisable four years after the date of grant. Unvested options will vest immediately upon a change in control.
- (2) We used the Black-Scholes model of option valuation to determine the present values at the grant dates. We do not advocate or necessarily agree that the Black-Scholes model can properly determine the value of an option. Calculations for Messrs. Snollaerts, Roeder, Delolmo, Phegley and Alvarado are based on the following assumptions: individual option terms of up to ten years, volatility of 39.11%, no dividends, and interest rates of 2.75% each for Messrs. Snollaerts, Delolmo, Phegley, Duge and Alvarado and 2.29% for Mr. Roeder, which corresponds to the weighted average of the ten year Treasury note rates with a maturity date corresponding to the option term for each of the grants. The real value of the options in this table depends upon the actual performance of our common stock during the applicable period and also upon the date the options are exercised.

Aggregated Option Exercises Table. The following table summarizes option exercises during fiscal 2004, and the number of all options and the value of all in-the-money options held at the end of fiscal 2004, by the Named Executive Officers.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR END OPTION VALUES

<u>Name</u>	<u>Shares Acquired on Exercise (#)</u>	<u>Value Realized (\$)</u>	<u>Number of Securities Underlying Unexercised Options at End of Fiscal 2004 (#) Exercisable/Unexercisable</u>	<u>Value of Unexercised In-The-Money Options at End of Fiscal 2004 (\$)(1) Exercisable/Unexercisable</u>
Etienne Snollaerts	-0-	\$ 0	16,500 / 262,000	\$ 88,310 / \$1,137,640
Ross E. Roeder (2)	173,750	\$ 1,476,538	380,000 / 337,500	\$ 1,845,550 / \$1,854,925

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André Delolmo	-0-	\$	0	30,001 / 169,999	\$ 205,112 / \$1,292,248
Richard N. Phegley	-0-	\$	0	62,334 / 121,666	\$ 315,478 / \$ 822,567
Zeke Duge	-0-	\$	0	54,001 / 82,999	\$ 305,691 / \$ 503,899
Donald G. Alvarado	-0-	\$	0	63,768 / 78,332	\$ 353,173 / \$ 471,931

- (1) Based on the market value of the underlying securities at the fiscal year end closing price of \$14.39 per share on January 2, 2005, less the exercise price.
- (2) Mr. Roeder's options include 12,500 shares of exercisable options for his service to us prior to fiscal 1999 as a non-employee director. These 12,500 options were exercised on March 3, 2005.

Equity Compensation Plans. The table below contains certain information relating to our equity compensation plans as of January 2, 2005, our most recently completed fiscal year.

EQUITY COMPENSATION PLAN INFORMATION

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u>
	(a)	(b)	(c)
Equity compensation plans approved by stockholders:			
Stock Incentive Plan	263,930	\$ 11.51	-0-
Long Term Equity Compensation Plan	3,771,292	\$ 9.07	542,358(1)
1996 Non-Employee Director Stock Plan	239,000(2)	\$ 7.79	70,000(3)
Total	4,272,222	\$ 9.15	612,358

(1) These shares are also available for grant as restricted stock awards, stock appreciation rights and other stock-based incentives.

(2) Each option provides for a term of ten years and reflects an exercise price equal to the fair market value of our common stock as of the date of grant thereof. For the remaining options granted on May 11, 1999 and May 1, 2000, one-third became exercisable two years after the date of grant and each year thereafter, so that 100% are exercisable four years after the date of grant.

(3) These shares were available for award in fiscal 2004 to our directors that are not employed with Groupe Casino, including an annual formula grant on May 1 and grants of restricted stock and stock options. The number of shares awarded pursuant to the annual formula grant is equal to the quotient of \$20,000 divided by the fair market value of our common stock on the date of award. The 1996 Non-Employee Director Stock Plan expired on February 22, 2005, and thus no shares were awarded from this plan in 2005. This proxy statement contains a proposal requesting our stockholders to approve a new Smart & Final Inc. Long-Term Equity Compensation Plan for Non-Employee Directors which would allow us to award equity compensation to our non-employee directors commencing on May 20, 2005.

Pension Plan and Retirement Plans. The table below sets forth estimated annual pension benefits under the Smart & Final Pension Plan, or our Pension Plan, on a straight life annuity basis for representative years of service as defined in our Pension Plan. These benefits are subject to reduction for certain prior Company retirement benefit plans.

PENSION PLAN TABLE

Remuneration on Which Retirement Benefits are Based (2)	Final Average Earnings Based On Each Year's Limited Earnings	Estimated Annual Retirement Benefits at Age 65 For Indicated Years of Credited Service (1)				
		15	20	25	30	35
\$ 125,000	\$ 125,000	\$ 18,750	\$ 25,000	\$ 31,250	\$ 37,500	\$ 43,750
\$ 150,000	\$ 150,000	\$ 22,500	\$ 30,000	\$ 37,500	\$ 45,000	\$ 52,500
\$ 175,000	\$ 175,000	\$ 26,250	\$ 35,000	\$ 43,750	\$ 52,500	\$ 61,250
\$ 200,000	\$ 200,000	\$ 30,000	\$ 40,000	\$ 50,000	\$ 60,000	\$ 70,000
\$ 225,000	\$ 210,000	\$ 31,500	\$ 42,000	\$ 52,500	\$ 63,000	\$ 73,500
\$ 250,000	\$ 210,000	\$ 31,500	\$ 42,000	\$ 52,500	\$ 63,000	\$ 73,500
\$ 500,000	\$ 210,000	\$ 31,500	\$ 42,000	\$ 52,500	\$ 63,000	\$ 73,500
\$ 750,000	\$ 210,000	\$ 31,500	\$ 42,000	\$ 52,500	\$ 63,000	\$ 73,500
\$1,000,000	\$ 210,000	\$ 31,500	\$ 42,000	\$ 52,500	\$ 63,000	\$ 73,500
\$1,250,000	\$ 210,000	\$ 31,500	\$ 42,000	\$ 52,500	\$ 63,000	\$ 73,500
\$1,500,000	\$ 210,000	\$ 31,500	\$ 42,000	\$ 52,500	\$ 63,000	\$ 73,500

- (1) Amounts shown are for employees hired on January 1, 2005 and assume retirement at age 65 after employment for the indicated number of years. Estimated annual retirement benefits are based on the Pension Plan in effect on January 1, 2005 and assume that no other offsets or grandfathered benefits are applied.
- (2) The maximum compensation that can be included in the determination of the retirement benefit is \$210,000 for 2005. This limit is adjusted annually for cost-of-living. For purposes of this illustration, it is assumed to remain at \$210,000 for all future years.

Pension Plan. We maintain our Pension Plan for the benefit of our Smart & Final Stores employees who meet certain age and service requirements. Our Pension Plan is designed to provide benefits in the event of normal, early or disability retirement, or in the event of death. Our Smart & Final Stores employees who are covered by a collective bargaining agreement are not covered by our Pension Plan. The benefits are calculated on the basis of the participant's years of service, and the participant's qualifying average pay. The minimum benefits for certain qualifying participants are at least equal to the accrued benefit they would have received under our prior pension plan. The qualifying average pay on which benefits are based includes bonuses, overtime and other compensation but does not include amounts to be paid under our Pension Plan or any other employee benefit plan. A participant becomes 100% vested in the retirement benefit at the end of the fifth year of service. Under our Pension Plan, at the end of fiscal 2004, Messrs. Snollaerts, Roeder, Delolmo, Phegley, Duge and Alvarado had credited approximately two, six, five, eight, four and 17 actual years of service, respectively, and would have been entitled to minimum annual benefits of approximately \$4,050, \$12,060, \$10,050, \$15,998, \$8,050 and \$38,944 respectively.

401(k) Savings Plan. Our 401(k) Savings Plan is a defined contribution plan. It is intended to satisfy the tax qualification requirements of Section 401(k) of the Code. All of our employees who meet certain age and service requirements are eligible to participate in our 401(k) Savings Plan. For fiscal 2004, the Pension Plan allowed participants to contribute up to 75% of their compensation, or \$13,000, whichever was lower. In fiscal 2001, we increased our match from 25% to 33% of each dollar contributed up to 6% of each participant's eligible compensation; however, our employees who are covered by a collective bargaining agreement do not receive the Company match, but are eligible to participate in the 401(k) Savings Plan. In addition, in fiscal 2001, we made a discretionary 8% match with respect to contributions made in fiscal 2000. This discretionary match was made to adjust that year's match from 25% to 33%. Participants' contributions to our 401(k) Savings Plan, which are

deemed to be our contributions for tax purposes, are deducted from the participants' compensation prior to the calculation of federal and state income taxes. This decreases the amount of a participant's taxable compensation.

Participants are currently entitled to direct their contributions to one or more of thirteen investment options. A participant may not withdraw any of its account balance in our 401(k) Savings Plan prior to termination of employment or attainment of age 70, whichever occurs earlier; the only exceptions are qualified financial hardships and loans. Distribution of a participant's account balance, if less than \$5,000, will generally be made in a lump sum payment in the year following the termination of employment. Distribution of a participant's account balance in excess of \$5,000 will be made in accordance with the participant's election following the termination of employment. A participant's contributions to our 401(k) Savings Plan will vest immediately. Twenty-five percent (25%) of our contributions on behalf of a participant will vest each year beginning after the second year of the participant's service with us. Contributions we make on behalf of a participant are 100% vested after five years of service with us.

Supplemental Executive Retirement Plan. Since 1998, we have provided a Supplemental Executive Retirement Plan, or SERP, to certain key executives and other highly compensated employees. The SERP provides for a single life annuity to be payable monthly commencing at age 65 or upon the participant's early retirement or disability as those terms are defined in the SERP document. A participant may be entitled to receive benefits under the SERP in the event of a change in control. In addition, in the event the participant dies prior to his or her retirement, disability or termination of employment, his or her survivor also be entitled to receive benefits under the SERP. The amount of the annuity benefit is determined by multiplying the standard benefit percentage assigned to each participant according to his or her title and position by the average of the final five calendar years of a participant's compensation. Our Board selects the participants in the SERP. A third party administrator administers the SERP. At the end of fiscal 2004, there were 22 participants in the SERP, including members of our executive management. None of the participants received benefits from the SERP in fiscal 2004.

Deferred Compensation Plan. We also have a Supplemental Deferred Compensation Plan, or Supplemental Deferred Plan. Under the Supplemental Deferred Plan our employees who earned annual base compensation of at least \$90,000 in 2004 are eligible to defer pre-tax up to 100% of their base compensation and cash bonus. There is a \$2,500 minimum annual deferral requirement under the terms of the Supplemental Deferred Plan. Eligible employees may also defer shares of restricted stock. Participation is voluntary on an annual basis. Deferrals are credited to a special bookkeeping account in the participant's name, and earnings on deferrals are indexed to certain investment fund options. We pay all benefits and costs from our general assets. We have created a non-qualified grantor trust whose assets will be used to pay benefits and defray expenses; however, the assets of the trust are subject to the claims of our general creditors in the event of our insolvency or bankruptcy. In general, participants will receive benefits under the Supplemental Deferred Plan after retirement. Benefits are paid in one lump-sum payment or a stream of five, ten or fifteen annual payments, depending on a participant's pre-elected payment option. The Supplemental Deferred Plan permits limited withdrawals prior to retirement. In addition to the general death benefits provided to all of our employees, the Supplemental Deferred Plan provides its own death benefits in the event of the death, prior to retirement, of a participating employee.

Executive Severance Agreement. Our officers and certain designated officers of our subsidiaries are eligible to participate in the 2004 Executive Severance Plan, as amended, or our Executive Severance Plan, which became effective January 1, 2004 and replaced the 2001 Executive Severance Plan which was in place for fiscal years 2001, 2002 and 2003. This Executive Severance Plan provides a minimum severance of 12 months base salary, or a month's base salary for each year of service, whichever is greater. Severance is not available to executives who are terminated for cause or who voluntarily terminate their employment. All of the welfare benefits received by an officer during employment are continued during the severance period. Following a change of control, the executives can resign for "good reason" and be eligible for the benefits available under the Executive Severance Plan. "Good reason" is defined as a reduction in duties and/or compensation, or being asked to relocate. Our Compensation Committee selects participants in the Executive Severance Plan. At the end of fiscal 2004 there were 17 participants in our Executive Severance Plan. During fiscal 2004, two former executives received benefits from the Executive Severance Plan for a combined total of \$542,114.

Snollaerts Employment Agreement. Effective August 4, 2003, we entered into an employment agreement with Mr. Snollaerts to serve as our Chief Operating Officer. Thereafter on May 17, 2004, this agreement was amended and restated as Mr. Snollaerts assumed his duties as our President and Chief Executive Officer. The term of Mr. Snollaerts' amended and restated employment agreement is for three years from May 17, 2004 through May 17, 2007. We may extend his agreement for another three year period from May 17, 2007, if we give notice to Mr. Snollaerts no earlier than May 1, 2006, nor later than May 31, 2006.

Mr. Snollaerts' initial base salary is \$650,000. His base salary is to be reviewed annually in accordance with our executive merit pay policy; however, his base salary cannot be decreased below \$650,000. In addition, if our Board awards annual bonuses generally, then Mr. Snollaerts is entitled to an annual bonus. The target for his annual bonus, while he is acting as our Chief Executive Officer, is no less than 100% and no greater than 200% of his base salary for that year. Any bonus awarded for a partial year of service will be prorated. The target for his annual bonus while he was acting as our Chief Operating Officer, from January 1 through May 19, 2004, was not less than 75%, nor more than 150% of his annual salary for the period. We may change Mr. Snollaerts' annual bonus plan provided that such changes are applicable to all of our executives generally. Both Mr. Snollaerts' base salary and annual bonus are determined at the sole discretion of the Compensation Committee. During fiscal 2004, Mr. Snollaerts received a total of \$611,721 in base salary and a bonus of \$975,000. In 2003, his base salary was \$322,116 and his bonus was \$206,250. The payment of Mr. Snollaerts' 2003 bonus was offset by his initial bonus of \$100,000, paid in August 2003, in accordance with his employment agreement. Mr. Snollaerts also has the opportunity to earn long-term incentive awards and to participate in our qualified retirement plans, group term life insurance, comprehensive health and major medical insurance, short and long-term disability and all other benefits and perquisites in which our other executives and employees are eligible to participate. This includes an automobile allowance, gas card, automobile insurance, retiree medical coverage and financial planning services. He is also entitled to a minimum of five weeks paid vacation per year, capped at ten weeks. Mr. Snollaerts' severance benefits are all pursuant to our Executive Severance Plan. If there is a change in control, Mr. Snollaerts' benefits will also be pursuant to the Executive Severance Plan; however, if he accepts a position with Groupe Casino within six months of his termination, then he will not receive any benefits under our Executive Severance Plan.

Contemporaneously with his employment agreement, we entered into an Expatriate Compensation Agreement with Mr. Snollaerts and Casino USA, or Expatriate Agreement. The Expatriate Agreement provides for Mr. Snollaerts to be compensated up to \$10,000 per month for housing expenses, \$15,000 per year, per child, for school expenses and a maximum of \$40,000 per year for personal travel to and from France. The Expatriate Agreement further provides that he shall receive a tax gross up on the compensation he receives thereunder. On a monthly basis, Casino USA will reimburse us for the expatriate compensation we pay to Mr. Snollaerts (subject to the limitations described above), including all tax gross up payments. However, Casino USA did not reimburse us for the first \$150,000 we paid to Mr. Snollaerts during the first twelve months of his employment with us. In fiscal 2004, we paid Mr. Snollaerts \$291,498 pursuant to his expatriate agreement. Of this amount, \$40,049 was not reimbursed to us by Casino USA. In fiscal 2003, we paid Mr. Snollaerts a total of \$109,951 pursuant to the terms of his expatriate agreement, none of which was reimbursed to us by Casino USA.

On February 17, 2004, Mr. Snollaerts received a grant of 60,000 shares of restricted stock that will vest if certain performance standards are met, or no later than February 17, 2009. On September 16, 2003, Mr. Snollaerts received a grant of 100,000 options, at the market price, from our Long-Term Equity Compensation Plan. This grant has a ten year term and one-third of the grant vests on September 16 in each of 2005, 2006 and 2007.

Roeder Employment Agreement. In early 1999, we entered into an employment agreement with Mr. Roeder. Under the terms of the initial agreement, Mr. Roeder agreed to serve as our Chairman and Chief Executive Officer, or CEO, through December 31, 2001. In May 2001 and again in February 2004, the agreement was amended to extend the term of Mr. Roeder's employment as our CEO until May 2004. For one year thereafter or approximately until the Annual Meeting, he will serve as our non-executive Chairman of the Board and senior advisor, or Non-Executive Chairman and Senior Advisor Term.

During his CEO term, Mr. Roeder's base salary was determined from time to time by our Board, but pursuant to his agreement, his salary could not be less than \$600,000 per year on an annualized basis. Once increased, his base salary could not be decreased. During fiscal 2004 while he served as our CEO until May 2004, Mr. Roeder's annual base salary was \$700,000. Mr. Roeder's employment agreement also provided that he had the opportunity to earn an annual cash bonus while serving as our CEO. The minimum target annual bonus was at least 100% of Mr. Roeder's annual base salary. His bonus payment was subject to the meeting of financial targets. Mr. Roeder received a bonus of \$743,750 for fiscal 2004 (paid in 2005). Of the \$743,750, \$306,250 was for his service as our CEO from January to May 2004, the remaining \$437,500 was for his service as our Non-Executive Chairman and Senior Advisor, in accordance with his amended employment agreement. In March of 2004, Mr. Roeder also received a special one-time bonus payment in the amount of \$300,000 for his assistance with Mr. Snollaerts' transition as the new CEO. Mr. Roeder also earned long-term incentive awards of 100,000 options, granted on February 17, 2004 at an exercise price of \$12.89. These options will expire, if not exercised on or before February 17, 2014. During fiscal 2004, Mr. Roeder also had the opportunity to earn long-term incentive awards and to participate in our qualified retirement plans, group term life insurance, comprehensive health and major medical insurance, short and long-term disability and all other benefits and perquisites in which our other executives and employees are eligible to participate. This includes participation in our SERP in an amount not less than \$125,000 per year, an automobile allowance, retiree medical coverage and financial planning services. Mr. Roeder is also entitled to certain tax gross-up benefits relating to his bonus and restricted stock awards, which are discussed in greater detail below.

During the Non-Executive Chairman and Senior Advisor Term (from approximately May 2004 through May 2005), Mr. Roeder's annual base salary will be \$350,000 per year on an annualized basis, and Mr. Roeder shall receive 50% of the bonus paid to our CEO during such period, prorated in 2004 and again in 2005 in proportion to the respective duration of his service as Non-Executive Chairman and Senior Advisor during such years. During the Non-Executive Chairman and Senior Advisor Term, Mr. Roeder will continue to receive all of the benefits that he was receiving as our CEO. We may, but are not obligated to, grant to Mr. Roeder restricted stock and/or stock options during the Non-Executive Chairman and Senior Advisor Term. If we terminate Mr. Roeder's service as Non-Executive Chairman and Senior Advisor, other than for cause or Mr. Roeder's voluntary resignation, Mr. Roeder will be entitled to all payments and benefits to which he would have been entitled as our CEO under the employment agreement, had he continued to serve as our CEO throughout the one-year period following the end of his term as our CEO.

In the event we terminate Mr. Roeder's employment without cause or if Mr. Roeder terminates his agreement with us for good reason, Mr. Roeder is entitled to receive his then current monthly base salary for a severance period of 24 months. However, if Mr. Roeder's employment or service is terminated during 2005, then the payment of his base salary shall continue for a severance period of 12 months. Mr. Roeder would also receive a monthly amount equal to his annual bonus target for our last fiscal year completed prior to the date of termination divided by 12. In addition, Mr. Roeder would continue to receive payment for continuation of his and his spouse's medical insurance coverage through COBRA for a period equal to 18 months or until Mr. Roeder ceases to be eligible for COBRA coverage. If Mr. Roeder becomes eligible to receive comparable coverage through another employer, then the COBRA payment will cease. We will also continue to provide Mr. Roeder with his long-term disability policy for a period of 24 months commencing on the termination date. Mr. Roeder would also receive additional service and compensation credit under the SERP until he reaches age 65, and continued payment of financial planning services through the severance period, plus all other amounts in which he is vested or otherwise entitled under our retirement and employee benefit plans. This includes retiree medical insurance coverage as described above for Mr. Roeder and his spouse, at the time such amounts are normally payable. Our employment agreement with Mr. Roeder defines disability as Mr. Roeder's inability to perform his duties due to illness or mental infirmity for a period of more than 180 consecutive days. Good reason is defined as a diminution in Mr. Roeder's title and authority, relocation of our principal office without his consent, our failure to pay his salary or any other material breach by us, or the failure of Mr. Roeder to be elected to our Board or be appointed Chairman of our Board during the employment term.

Upon the effective date of a qualifying termination due to a change in control, we have agreed to continue to pay Mr. Roeder any accrued obligations and a lump-sum payment equal to three times his annual base salary then in effect. We have also agreed to pay Mr. Roeder a lump-sum cash payment equal to three times the greater of the highest annual bonus paid by us in the prior three fiscal years or his annual bonus target for the fiscal year of termination. Mr. Roeder would also receive continuation of health and welfare benefits for three years (subject to termination if Mr. Roeder obtains employment that offers substantially similar benefits) as well as three additional years of service and compensation credit under our SERP. In the event any of the payments in connection with a change in control cause an excise tax to be imposed upon Mr. Roeder under Section 4999 of the Code, we have agreed to pay Mr. Roeder, in cash, an additional amount so that the net amount retained by Mr. Roeder after deduction for any tax and payments made by us will be equal to the amount Mr. Roeder would have retained had no such tax been imposed.

Finally, our employment agreement with Mr. Roeder contains a covenant that Mr. Roeder agrees not to compete with us during the term and for the longer of 12 months following the expiration of his employment agreement or any period during which he is paid under such agreement. His employment agreement also provides that for a period of 12 months following its expiration, Mr. Roeder will not attempt to induce our other employees to terminate employment with us or to interfere in a similar manner with our business.

Security Ownership of Certain Beneficial Owners and Management

The table below sets forth information regarding the ownership of our common stock as of March 31, 2005 by (i) each person known to us to be the beneficial owner of more than five percent of the outstanding shares of common stock, (ii) each of our directors and nominees for director, (iii) each Named Executive Officer, and (iv) all of our directors and executive officers and the officers of our subsidiaries as a group. Unless otherwise indicated, each of the stockholders has sole voting and investment power with respect to the shares beneficially owned, subject to community property laws where applicable.

<u>Name of Beneficial Owner</u>	<u>Number of Shares Owned (1)</u>	<u>Right to Acquire (2)</u>	<u>Restricted Stock (3)</u>	<u>Percent of Outstanding Stock</u>
Casino Guichard-Perrachon S.A. (4)	17,584,060	-0-	-0-	57.1%
Ross E. Roeder	260,671	209,334	-0-	2.0%
Donald G. Alvarado	31,359	76,268	-0-	*
David J. McLaughlin	29,831	38,001	-0-	*
Richard N. Phegley	28,979	85,668	-0-	*
André Delolmo	25,000	50,001	-0-	*
Zeke Duge	25,000	69,668	-0-	*
James S. Gold	24,432	43,000	-0-	*
Thomas G. Plaskett	24,254	4,001	-0-	*
Etienne Snollaerts	16,890	20,501	60,000	*
Timm F. Crull	12,755	1,334	-0-	*
Pierre B. Bouchut	11,640	20,501	-0-	*
Joël-André Ornstein	10,202	30,501	-0-	*
Christian P. Couvreur	559	4,001	-0-	*
Pascal Announ	-0-	-0-	-0-	*
Thierry Bourgeron	-0-	-0-	-0-	*
Jean-Brice Hernu	-0-	-0-	-0-	*
Stephen E. Watson	-0-	-0-	-0-	*
All directors and executive officers as a group (23 persons)	605,647	990,752	60,000	6.1%

* Less than 1%

- (1) Includes shares for which the named person or entity has sole voting and investment power, has shared voting and investment power with a spouse or a related entity, or holds in a profit sharing or IRA account for the named individual or the members of his immediate family or under our Directors Deferred Compensation Plan or our Supplemental Deferred Compensation Plan. Excludes shares of restricted stock holdings, or shares that may be acquired through stock option exercises.
- (2) Shares that can be acquired through stock options that may be exercised through May 31, 2005.
- (3) Shares subject to a vesting schedule, forfeiture risk and other restrictions.
- (4) Groupe Casino, as the owner of approximately 99% of the capital stock of Casino USA, may be deemed to beneficially own such shares. The address of Casino USA is 600 Citadel Drive, Commerce, California 90040, and the address of Groupe Casino is 24, rue de la Montat, 42008 St.-Etienne Cedex 2, France. Rallye is a publicly traded French joint stock corporation and holds more than 50% of the voting interest in Groupe Casino. Mr. Jean-Charles Naouri, through intermediary companies, indirectly controls more than 50% of the voting interest in Rallye. This note (4) is based on Amendment No. 5 to Schedule 13D filed by Casino USA on May 25, 2000 and prior reports, and on information provided to us by Groupe Casino.

ITEM 2 PROPOSAL TO APPROVE THE SMART & FINAL INC. LONG-TERM

EQUITY COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS

At the Annual Meeting, stockholders will be requested to approve the proposed Smart & Final Inc. Long-Term Equity Compensation Plan for Non-Employee Directors, or the 2005 Non-Employee Directors Plan, which is attached hereto as Appendix B. We do not have a currently effective stock plan under which our Board can grant awards of equity compensation to our non-employee directors because our 1996 Non-Employee Director Stock Plan expired on February 22, 2005, the proposed 2005 Non-Employee Directors Plan is an omnibus stock plan similar to the current Smart & Final Inc. Long-Term Equity Compensation Plan under which our employees are eligible to receive equity compensation. The 2005 Non-Employee Directors Plan, if approved by stockholders, will be effective as of May 20, 2005 and will expire on May 19, 2015. The 2005 Non-Employee Directors Plan allows the Board to grant awards of our common stock, stock options, restricted stock, restricted stock units, stock appreciation rights and tandem stock appreciation rights. We are proposing that 375,000 shares of our common stock be authorized for issuance under the 2005 Non-Employee Directors Plan.

Based upon the recommendation of the Corporate Governance Committee, the Board unanimously approved the 2005 Non-Employee Directors Plan, subject to stockholder approval at the Annual Meeting. The 2005 Non-Employee Directors Plan is designed to align the interests of the non-employee directors with our stockholders and to create a greater incentive among members of the Board to promote our success and profitability. In addition, the Board is aware that the additional scrutiny and responsibility placed on the boards of public companies makes the attraction and retention of independent members to our Board challenging. Thus, the ability to provide equity compensation as part of the compensation package offered to our non-employee directors should help us in attracting and retaining members for our Board. At present, the Board intends to maintain the current level of compensation to our non-employee directors and to only provide equity compensation to those non-employee directors that are not affiliated with Groupe Casino. There are currently five directors that receive equity compensation: Messrs. Crull, Gold, McLaughlin, Plaskett and Watson. If all the directors that are standing for election in this proxy statement are elected to our Board, then after the election of directors at our Annual Meeting, only four directors will receive this equity compensation: Messrs. Crull, McLaughlin, Roeder and Watson. During fiscal 2004, the non-employee, non-Groupe Casino affiliated directors' compensation (for each such director) under the 1996 Non-Employee Director Stock Plan consisted of: (1) an award of common stock equal to \$20,000 as valued on the date of grant; and (2) a stock option grant of 4,000 shares awarded in May of each year and valued at the closing price of our common stock on the date of grant; or, alternatively, an initial grant of 22,500 stock options given to a non-employee director upon his or her initial election or appointment to the Board.

Under the 1996 Non-Employee Director Stock Plan, 328,377 shares of common stock, restricted stock and/or stock options were awarded during the lifetime of the plan from February 21, 1997 through February 22, 2005. At the end of the 2004 fiscal year, the 1996 Non-Employee Director Stock Plan had a total of 70,000 shares available to grant. In May 2004, four of our non-employee and non-Groupe Casino affiliated directors, Messrs. Crull, Gold, McLaughlin and Plaskett, were each awarded 1,680 shares of common stock and 4,000 stock options, for a total of 6,720 shares of common stock and 16,000 stock option awards. Other than these awards, plus the award to Mr. Watson upon his appointment to our Board, no other stock awards have been made to our directors since May 2004.

New Plan Benefits

As described above, each non-employee director that is not affiliated with Groupe Casino, under our prior plan, was eligible for the following compensation: (1) an award of common stock equal to \$20,000 as valued on the date of the grant, and (2) a stock option grant of 4,000 shares awarded in May of each year and valued at the closing price of our common stock on the date of grant; or, alternatively, an initial grant of 22,500 stock options given to a non-employee director upon his or her initial election or appointment to the Board.

Only our non-employee directors are eligible to participate in the 2005 Non-Employee Directors Plan and, pursuant to current Board practice, equity compensation is only provided to those non-employee directors that are

not affiliated with Groupe Casino. Under the 2005 Non-Employee Directors Plan, and pursuant to current Board practice, each non-employee, non-Groupe Casino affiliated director would be eligible to receive the following compensation: (1) an award of common stock equal to \$20,000 as valued on the date of grant; and (2) a stock option grant of 4,000 shares awarded in May of each year and valued at the closing price of our common stock on the date of grant; or, alternatively, an initial grant of 22,500 stock options given to a non-employee director upon his or her initial election or appointment to the Board. In addition, our Board has the discretion under the 2005 Non-Employee Directors Plan to grant a non-employee director any of the awards described below. Executive officers and employees will not be eligible to participate in the 2005 Non-Employee Directors Plan.

Summary of 2005 Non-Employee Directors Plan

The following summary of certain principal features of the 2005 Non-Employee Directors Plan is qualified in its entirety by the complete text of the 2005 Non-Employee Directors Plan attached hereto as Appendix B. Capitalized terms used herein and not otherwise defined shall have the same meaning as such capitalized terms contained in the 2005 Non-Employee Directors Plan. As of March 31, 2005, the closing price of a share of our common stock as reported on the NYSE composite transactions report was \$12.16.

Purpose. The 2005 Non-Employee Directors Plan is intended to promote our interests and the interests of our stockholders by (i) providing an incentive to our directors who are not our employees or employees of Groupe Casino, and (ii) linking the personal interests of our independent directors with the interests of our stockholders in our continuing financial success.

General. The 2005 Non-Employee Directors Plan permits the granting of stock options, stock appreciation rights, restricted stock or restricted stock units to eligible participants. The total number of shares of our common stock available for awards to be granted under the 2005 Non-Employee Directors Plan is 375,000 shares. In the event that options granted under the 2005 Non-Employee Directors Plan terminate or expire without being exercised, shares not purchased under such lapsed options will again become generally available to be issued on the exercise of additional options granted under the 2005 Non-Employee Directors Plan. In addition, the 2005 Non-Employee Directors Plan provides for an automatic increase in the number of stock options, stock appreciations rights or restricted stock awards available for award to eligible participants in an amount equal to the number of such grants of stock options being exercised and/or restricted stock vesting in any given fiscal year, and also provides for an automatic increase in the number of shares available for such grants (subject to restrictions on the maximum number of shares reserved for grant).

Administration of the 2005 Non-Employee Directors Plan. The 2005 Non-Employee Directors Plan will be administered by the Corporate Governance Committee. The 2005 Non-Employee Directors Plan does not require that (i) Corporate Governance Committee members qualify as disinterested persons under Rule 16b-3 of the Exchange Act (Rule 16b-3), or as outside directors under Section 162(m) of the Code, unless the Corporate Governance Committee determines that such compliance is desired with respect to any award, and (ii) with respect to Insiders, transactions under the 2005 Non-Employee Directors Plan comply with all applicable conditions of Rule 16b-3. Subject to the terms of the 2005 Non-Employee Directors Plan, the Corporate Governance Committee has the full power to select the eligible directors to participate in the 2005 Non-Employee Directors Plan, determine the sizes and types of awards, determine the terms and conditions of awards, construe and interpret the 2005 Non-Employee Directors Plan and any agreement entered into under this plan, establish, amend or waive any rules and regulations for the 2005 Non-Employee Directors Plan's administration, and amend the terms and conditions of any outstanding award to the extent such terms and conditions are within the discretion of the Corporate Governance Committee. The Corporate Governance Committee also has the discretion for making any adjustments in awards, the shares available for awards and the numerical limitation for awards to reflect any transactions such as stock splits or any merger or reorganization. Our Board may amend or terminate the 2005 Non-Employee Directors Plan at any time and for any reason but, as required under Rule 16b-3, certain material amendments to the 2005 Non-Employee Directors Plan must be approved by stockholders.

Eligibility to Receive Awards. All of our non-employee directors that are not affiliated with Groupe Casino are eligible to receive awards under the 2005 Non-Employee Directors Plan.

Options. The Corporate Governance Committee may grant nonqualified stock options to our eligible directors in such number, and upon such terms, and at any time and from time to time as they shall determine. Each option grant shall be evidenced by an award agreement specifying the option price, the duration of the option, the number of shares to which the option pertains, and such other provisions the Corporate Governance Committee may determine. The award agreement shall also specify that the option is intended to be a nonqualified stock option whose grant is not intended to fall under the provisions of Section 422 of the Code. The option price for each grant of an option under the 2005 Non-Employee Directors Plan shall be at least equal to one hundred percent (100%) of the fair market value of a share on the award date. The option price of each option must be paid in full at the time of exercise. The Corporate Governance Committee may permit the option price to be paid in cash or through the tender of shares of our common stock which are owned by the eligible director or by a combination of cash and shares. The Corporate Governance Committee may also allow any other means of exercising options that they determine is consistent with the 2005 Non-Employee Directors Plan's purposes, including but not limited to cashless exercises, and is consistent with applicable law. Options become exercisable and terminate at the times and on the terms established by the Corporate Governance Committee, but options generally shall not be exercisable later than the tenth anniversary of the date of grant.

Restricted Stock Awards. Restricted stock awards are shares of our common stock which vest in accordance with terms established by our Board in its discretion. Each restricted stock grant shall be evidenced by a restricted stock award agreement that shall specify the period of restriction, the number of shares of restricted stock granted, and such other provisions as the Governance Committee shall determine. For example, the Governance Committee may provide that the restricted stock will vest only if one or more performance goals are satisfied and/or if the eligible director remains as our director for a specified period of time. Any performance measures may be applied to our entire Company or to individual units within our Company, as deemed appropriate in light of the eligible director's specific responsibilities. During the period of restriction, the eligible director holding shares of restricted stock may exercise full voting rights with respect to the shares and may be credited with regular cash dividends paid with respect to these shares.

Stock Appreciation Rights. Stock appreciation rights, or SARs, may be granted as a separate award or together with an option to our eligible directors. Upon exercise of a SAR, the eligible director will receive a payment from us equal to (i) the difference between the fair market value of a share on the date of exercise over the grant price multiplied by (ii) the number of shares underlying each SAR exercised. The grant price of a free standing SAR equals the fair market value of a share on the date of grant of the SAR. The grant price of a Tandem SAR equals the option price of the related option. SARs may be paid in cash or shares of our common stock, as determined by the Corporate Governance Committee. The number of shares covered by each SAR will be determined by the Corporate Governance Committee and the Corporate Governance Committee will also determine any other terms and conditions of each SAR. The SAR will expire at the same times established by the Corporate Governance Committee, subject to the maximum time limits applicable to options granted under the 2005 Non-Employee Directors Plan.

Nontransferability of Awards. Awards granted under the 2005 Non-Employee Directors Plan may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than (except in the case of restricted stock) by will or by the applicable laws of descent and distribution, provided that in the discretion of the Corporate Governance Committee, an eligible director's award agreement may in its discretion provide otherwise.

Change in Control. Upon the occurrence of a change in control, all options and SARs granted become immediately exercisable, any period of restriction and restrictions imposed on restricted stock lapse and all target payout opportunities attainable under all outstanding awards of restricted stock shall be deemed to have been fully earned for the entire performance period as of the effective date of a change in control. In addition, the

vesting of all awards denominated in shares shall accelerate as of the effective date of the change in control and certain cash payments shall be made to eligible directors with respect to the assumed achievement of any performance goals on a pro rata basis. For purposes of the 2005 Non-Employee Directors Plan, a change in control means, generally, when either (i) any person acquires beneficial ownership of more than thirty-five percent (35%) of our voting power, (ii) during any two (2) consecutive year periods there is a change in persons constituting a majority of our Board at the beginning of such period, or (iii) a plan of complete liquidation, an agreement for the sale of substantially all of our assets or a merger, consolidation or reorganization of the Company involving current stockholders obtaining at least sixty-five percent (65%) of our voting power (or the surviving entity's voting power) becomes effective.

Tax Aspects. Based on management's understanding of the current federal income tax laws, the tax consequences of the grant of awards under the 2005 Non-Employee Directors Plan are as follows:

An eligible director who receives an award of shares of our common stock will recognize as taxable ordinary income an amount equal to the fair market value of the shares on the award date.

An eligible director who receives an option or SAR granted under the 2005 Non-Employee Directors Plan will not have taxable income at the time of the grant. Upon exercise of a nonqualified stock option or SAR, the eligible director generally must recognize as taxable ordinary income an amount equal to the fair market value on the date of exercise of the shares exercised minus the option price. Any gain or loss recognized upon any later sale or other disposition of the acquired shares generally will be a capital gain or loss.

An eligible director who receives restricted stock will not recognize taxable income upon receipt, but instead will recognize ordinary income when the shares vest. Alternatively, the eligible director may elect under Section 83(b) of the Code to be taxed at the time of receipt of the restricted stock. If the restricted stock is subsequently forfeited, the eligible director is not entitled to a deduction for the loss. However, if he or she holds the restricted stock until after the shares vest and subsequently sells the shares upon vesting, the gain will be taxed as a capital gain as opposed to ordinary income. In all cases, the amount of ordinary income recognized by the eligible director will be equal to the fair market value of the shares at the time income is recognized, minus the amount, if any, paid for the shares.

Any taxes required to be withheld must be paid by the eligible director at the time of exercise. With respect to withholding required upon exercise of options, eligible directors may elect, subject to approval by the Corporate Governance Committee, to satisfy tax withholding requirements in whole or in part by having us withhold shares having a fair market value on the date that the tax is determined equal to the minimum statutory total tax which could be imposed on the transaction.

We generally will be entitled to a tax deduction in connection with an award made under the 2005 Non-Employee Directors Plan only to the extent that the eligible director recognizes ordinary income from the award.

Vote Required and Recommendation of the Board. The affirmative vote of a majority of all outstanding shares of our common stock entitled to vote at the Annual Meeting will be required for approval of this proposal. An abstention on this proposal is not an affirmative vote and therefore will have the same effect as a negative vote on this proposal. Thus, it is important that you vote your shares either at the meeting or by proxy. Provided that this proposal is routine under the NYSE's rules, then a nominee holding shares in street name may vote for the proposal without voting instructions from the owner.

THE BOARD UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE PROPOSED 2005 NON-EMPLOYEE DIRECTORS PLAN.

INDEPENDENT AUDITORS

At our Audit Committee meeting in May 2005, it is anticipated that the Audit Committee will unanimously recommend that we retain Ernst & Young LLP, or E&Y, as our independent auditors for the fiscal year ending January 1, 2006. E&Y became our independent auditors effective June 7, 2002 upon the recommendation of the Audit Committee and after unanimous approval by the Board. E&Y has now audited all of our financial statements for fiscal years 2001 through 2004, inclusive.

We expect a representative of E&Y to appear at the Annual Meeting and be available to respond to appropriate questions from our stockholders.

The following fees were paid to E&Y for services rendered for each of the last two fiscal years:

	Fiscal Year Ending	
	2003	2004
Audit Fees	\$ 820,000	\$ 1,333,000
Audit-Related Fees	91,000	136,000
Tax Fees	172,000	153,000
All Other Fees	-0-	-0-
Total E&Y Fees	\$ 1,083,000	\$ 1,622,000

Audit Fees represent amounts paid for the audit of our consolidated annual financial statements and internal control over financial reporting, reviews of quarterly financial information and accounting consultations. Included in the 2004 Audit Fees is approximately \$896,000 related to the audit of internal control over financial reporting. Included in the 2003 Audit Fees is approximately \$280,000 related to the audit of our consolidated financial statements for the 2001 fiscal year.

Audit-Related Fees for 2004 represent amounts primarily related to consulting services regarding internal control over financial reporting. Audit-Related Fees for 2003 represent amounts primarily attributable to agreed-upon procedures on our credit facility borrowing base and audits in connection with the divestiture of our Florida operations.

Tax fees represent amounts for tax return assistance and other tax consulting services.

All of the fees paid to E&Y in fiscal 2004 and 2003 were pre-approved by the Audit Committee. Our Audit Committee has considered whether the provision of services other than those described above under the heading **Audit Fees** are compatible with maintaining the independence of E&Y.

Audit Committee Pre-Approval Policies

Explanation of Responses:

Rules adopted by the SEC in order to implement requirements of the Sarbanes-Oxley Act of 2002 require public company audit committees to pre-approve audit and non-audit services. Our Audit Committee has adopted detailed pre-approval policies and procedures pursuant to which audit, audit-related, tax and all other services, including all permissible non-audit services, are pre-approved by category of service. The fees are budgeted, and actual fees versus the budget are monitored throughout the year. During the year, circumstances may arise when it may become necessary to engage the independent auditor for additional services not contemplated in the original pre-approval. In those instances, we will obtain the specific pre-approval of the Audit Committee before engaging the independent auditor. The policies require the Audit Committee to be informed of each service, and the policies also require the Audit Committee to be informed of all services provided by the independent auditor.

ANNUAL REPORT

Our Annual Report to Stockholders for fiscal 2004 is being mailed to all stockholders. Any stockholder who has not received a copy may obtain one by writing to us at, Corporate Secretary, Smart & Final Inc., 600 Citadel Drive, Commerce, California 90040.

WE WILL PROVIDE WITHOUT CHARGE A COPY OF OUR ANNUAL REPORT ON FORM 10-K, FOR THE YEAR ENDED JANUARY 2, 2005 (EXCLUSIVE OF EXHIBITS), FILED WITH THE SEC, UPON THE REQUEST OF ANYONE WHO WAS A HOLDER OF RECORD, OR WHO REPRESENTS IN GOOD FAITH THAT HE OR SHE WAS A BENEFICIAL OWNER, OF OUR COMMON STOCK ON MARCH 24, 2005. ANY SUCH REQUEST SHALL BE IN WRITING AND ADDRESSED TO OUR CORPORATE SECRETARY, 600 CITADEL DRIVE, COMMERCE, CALIFORNIA 90040, TELEPHONE NUMBER (323) 869-7500.

SUBMISSION OF STOCKHOLDER PROPOSALS

Our Amended and Restated Bylaws provide that stockholders seeking to bring business before an Annual Meeting of stockholders, or to nominate directors at an annual or special meeting of stockholders, must provide timely notice thereof in writing. To be timely, a stockholder's notice must be delivered to, or mailed and received at, our principal executive offices. The stockholder's notice must be delivered to, or mailed and received not less than 60 days nor more than 90 days prior to the Annual Meeting, provided such Annual Meeting is held within 30 days before or after the anniversary date of the immediately preceding Annual Meeting of stockholders. If the Annual Meeting is not held within 30 days before or after the anniversary date of the immediately preceding Annual Meeting, or is a special meeting of stockholders, then the stockholder's notice must be delivered to, or mailed and received not later than 10 days after the notice of the date of the meeting was mailed or public disclosure of the date of the meeting was made, whichever occurs first. Our Amended and Restated Bylaws also specify certain requirements for a stockholder's notice to be in proper written form. If we do not receive timely notice of any such proposed business, the proxy holders may not exercise discretionary authority with respect to that proposal. If we do receive timely notice of any such proposed business, the proxy holders may exercise discretionary authority with respect to that proposal, but only to the extent permitted by the regulations of the SEC.

A proposal by a stockholder intended to be included in our proxy statement and presented at the Annual Meeting must be received at our principal executive offices no earlier than 90 days before the anniversary of our 2004 Annual Meeting of Stockholders, and no later than 60 days before the anniversary of our 2004 Annual Meeting of Stockholders. In addition, all other conditions for such inclusion must also be satisfied.

OTHER MATTERS

We know of no other matters to be brought before the Annual Meeting. However, if any other matters are properly presented for action, the persons named in the accompanying proxy intend to vote on such matters in their discretion, subject to applicable SEC regulations.

SOLICITATION OF PROXIES

The cost of this solicitation of proxies will be borne by us. Solicitations will be made by mail, telephone or telegram and personally by directors, officers and other employees of ours, but such persons will not receive any compensation for such services over and above their regular salaries. We will reimburse brokers, banks, custodians, nominees and fiduciaries holding stock in their names or in the names of their nominees for their reasonable charges and expenses in forwarding proxies and proxy materials to the beneficial owners of such stock.

BY ORDER OF THE BOARD OF DIRECTORS

Donald G. Alvarado

Secretary

April 20, 2005

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AUDIT COMMITTEE

BOARD OF DIRECTORS OF SMART & FINAL INC.

CHARTER

A. Authority

1. The Board of Directors (the Board) of Smart & Final Inc. (the Company) has established the Audit Committee (the Committee) with oversight responsibilities as described in this Charter or as may additionally be directed by the Board.
2. The Committee shall review and assess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
3. The Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the authority to retain independent advisors having special competence as the Committee deems advisable, to assist the Committee in fulfilling its responsibilities.

B. Purpose

The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities related to corporate accounting, financial reporting practices, quality and integrity of financial reports, and legal compliance and business ethics, including, without limitation, assisting the Board in its oversight of:

1. the integrity of the Company s financial statements;
2. the systems of internal controls and financial controls;
3. the Company s compliance with its ethics policies and legal and regulatory requirements;

4. the independent auditor's qualifications, independence and performance; and
5. the performance of the Company's internal audit function.

The Committee in fulfilling this function will focus on meeting the following goals:

1. Facilitating and maintaining free and open communication among the Board, the Committee, the independent auditor, the internal audit department and management of the Company;
2. Serving as an independent and objective party to monitor the Company's financial reporting process and internal control system;
3. Retaining, reviewing and appraising the efforts of the independent auditor; and
4. Providing general direction to, and receiving periodic reports from, the internal audit department.

C. Membership

1. The members of the Committee shall be appointed by the Board, with input from the Company's Corporate Governance Committee. Consistent with New York Stock Exchange and Securities and Exchange Commission (SEC) requirements, the Committee will consist of at least three directors, each with no management responsibilities or business relationships with the Company or its affiliates.

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2. The Committee members will be free from any material financial, family or personal relationship that would interfere with the prudent exercise of his or her independence from the Company and the Company's management. In evaluating a Committee member's independence, the individual must not: (i) have been, for at least the past five years, an employee of the Company, its affiliates, or its current independent auditor; (ii) currently be a director of a company where an interlocking compensation committee relationship exists with a member of management of the Company; or (iii) have an immediate family member employed by the Company. Each Committee member must meet the definition of independence set forth in the rules of the New York Stock Exchange as the same may be amended from time to time.

3. No member of the Committee may receive any consulting or other fees from the Company (other than fees for serving on the Board or a committee of the Board).

4. All members of the Committee shall be financially literate, as solely determined by the Board in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment to the Committee. In addition, at least one member of the Committee must be a financial expert, as such term is defined in the rules and regulations of the SEC.

5. The Chairman of the Committee shall be designated by the Board.

D. Term of Office

1. There is no specific term of office for members of the Committee. The Corporate Governance Committee of the Board shall periodically evaluate the continued service of members of the Committee and recommend changes to the Board as it deems appropriate.

E. Reporting and Communications

1. The Committee chairman shall report the Committee's activities to the full Board on a regular and timely basis.

2. The Committee shall have unimpeded and direct lines of communication with the independent auditor and the internal audit department, as well as prompt and unrestricted access to management and all relevant information.

3. Financial management will advise the Committee on a timely basis if it seeks an independent opinion on an accounting issue or in the event of a disagreement with the independent auditor that would require public reporting in the event of an auditor change.

4. The Company's management will advise and consult with the Committee in advance of material disclosures by the Company, including related press releases and governmental and regulatory filings.

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5. The Committee will maintain unimpeded and direct lines of communication with the Company's chief financial and accounting officers, and the internal audit department.

F. Meetings

1. The Committee will meet at least four times a year on a regular basis and additionally as, in the opinion of the Committee, circumstances require. Meetings may be conducted telephonically. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

2. Prior to scheduled Committee meetings, the Committee chairman shall determine the meeting agenda and overview of the issues to be discussed, with input as requested from company management, the internal audit department, and/or the independent auditor. The Committee members will have the sole discretion in determining the meeting agenda and attendees.

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3. The Committee shall review the financial performance of the Company on a quarterly and annual basis. Such meetings shall include a review by financial management of the significant results, assumptions, and judgments embodied in the results.

4. Meetings will normally include private sessions with the independent auditor, and as determined advisable by the Committee, the internal audit department.

5. Prior to commencement of the annual audit by the independent auditor, the Committee will review and validate the independence of the audit firm, the scope and fees of the audit, and will clarify expectations, including the following (collectively, the Expectations):
 - a. The independent auditor understands that its principal client is the Board, as the stockholders representative.

 - b. Financial management and the independent auditor will discuss with the Committee their qualitative judgments about the adequacy and effectiveness of the accounting and financial controls, including the Company s policies to assess, monitor and manage business risk and ethical compliance programs.

 - c. Financial management and the independent auditor will discuss with the Committee their qualitative judgments about the appropriateness and the acceptability of significant accounting principles, underlying estimates and financial disclosure practices used or proposed to be adopted by the Company.

 - d. The Committee will determine the independent auditor s continued qualifications and independence. To assist in this function the Committee will obtain from the independent auditor an annual report describing at least the following:
 - i. the independent auditor s internal quality control procedures;

 - ii. any material issues raised by the most recent internal quality-control review, or peer review of the external auditors or any inquiry or investigation by governmental or professional authorities, within the preceding five years, relating to an audit, and the steps taken to deal with any such issues; and

 - iii. all relationships between the independent auditor and the Company.

 - e. The independent auditor will, in collaboration with the Company s internal audit department, develop a plan regarding their respective procedures to be performed to promote an effective use of resources. The independent auditor will submit its plan to the Committee for review.

 - f. In addition, the Committee shall review hiring policies for employees or former employees of the independent auditors to ensure that they meet SEC regulations and stock exchange listing standards.

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- g. The independent auditor shall provide to and discuss with the Committee periodic reports relating to:
- i. the critical accounting policies and practices to be used;
 - ii. alternative treatments within GAAP that are discussed with management, the effect of using or not using such treatments, and the independent auditor's preferred treatment;
 - iii. any management letter, schedule of unadjusted differences or other material written communications with management;
 - iv. any significant audit problems or difficulties encountered in the course of the audit work, including any restrictions on the scope of the independent auditor's activities or on access to requested information, any significant disagreements with management and management's response to all such difficulties;
 - v. analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of significant effects of alternative GAAP methods on the financial statements;

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vi. the potential effect of significant regulatory and accounting initiatives, whether or not yet adopted, on the Company's financial statements and related disclosures; and

vii. press releases relating to Company operating results or matters of financial significance.

h. The independent auditor will discuss with the Committee, management and the internal audit department, those risk assessments and risk management measures, which it determines to be significant.

The Committee shall additionally meet as it determines necessary to review in advance significant financial disclosures by the Company, including press releases and governmental and regulatory filings.

G. Responsibilities of the Audit Committee

1. Adopt a formal written charter to be approved by the full Board and to be reviewed by the Committee annually.

2. Maintain minutes or other record of meetings and activities of the Committee.

3. Report to the full Board the Committee's actions and recommendations, if any, as the Committee deems appropriate.

4. The Committee shall annually review its own performance.

5. Monitor the Company's financial organization and system of internal controls.

a. Review the overall qualifications and performance of the Company's financial management.

b. Discuss with the Company's management, the adequacy of the Company's internal control system.

c. Discuss with the Company's financial management their obligation to provide a timely analysis of significant current financial reporting issues and practices.

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- d. Review management's response to any findings of the Internal Audit and Control department.

 - e. Review the annual internal audit plan and any significant changes to the internal audit plan.

 - f. Review the internal audit department's independence and its processes and procedures, including but not limited to the processes for the internal audit staff to receive, review and investigate complaints regarding the Company's accounting procedures.

 - g. Discuss with the Director of Internal Audit and Control the adequacy and effectiveness of accounting and financial controls and request recommendations for improvement.

 - h. Review the summary of findings and completed internal audits and a progress report on executing the internal audit plan.

 - i. Discuss with the Director of Internal Audit and Control any difficulties encountered in the course of their audits, including any restrictions on the scope of their work or access to required information.

 - j. Review and concur in the appointment, replacement, reassignment, or dismissal of the Director of Internal Audit and Control.
6. Oversight of the Company's financial reporting and independent auditor.
- a. Meet to review and discuss the Company's annual audited financial statements with management and the independent auditor to determine that the independent auditor is satisfied with the disclosure and content of the financial statements, including reviewing the Company's specific disclosures in the management discussion and analysis section and the nature and extent of any significant changes in accounting principles. The Committee shall recommend to the Board whether the annual audited financial statements should be included in the Company's Annual Report on Form 10-K.

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b. Meet to review and discuss the interim financial statements and disclosures, including reviewing the Company's specific disclosures in the management discussion and analysis section, with management and the independent auditors prior to the filing of the Company's Quarterly Report on Form 10-Q. Also, the Committee shall discuss the results of the quarterly review and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards.

c. Review and discuss appropriate matters with the independent auditor, including discussing with the independent auditor the matters required to be discussed by AICPA Statement on Auditing Standards No. 61 (SAS 61).

d. Meet in executive sessions without management on a regular basis.

e. Retain and terminate the independent auditor, considering the auditor's independence and effectiveness (this shall be the sole responsibility of the Committee, subject, if applicable, to stockholder ratification). The Committee and/or the Chairman of the Committee shall pre-approve all audit and non-audit services provided by the independent auditors.

f. Resolve disagreements between management and the independent auditor regarding financial reporting.

7. Monitor the engagement of the independent auditor and the effectiveness of the firm in carrying out its audit responsibilities. This includes clarifying expectations annually, and reviewing and discussing with the independent auditor appropriate matters, including but not limited to the following:

a. Accounting Principles and Disclosures

i. The auditor's independent judgments about the quality and acceptability of the accounting principles and the clarity of the financial disclosure practices used or proposed to be adopted by the Company.

ii. The auditor's views about whether management's choices of accounting principles are conservative, moderate, or extreme from the perspective of income, asset, and liability recognition, and whether those principles are common practices or are minority practices.

iii. The auditor's reasoning in determining the appropriateness of changes in accounting principles and disclosure practices.

iv. The auditor's reasoning in determining the appropriateness of changes in accounting principles and disclosure practices adopted by management for new transactions or events.

v. The auditor's reasoning in accepting or questioning significant estimates made by management.

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vi. The auditor's views about how the Company's choices of accounting principles and disclosure practices may affect stockholders and public views and attitudes about the Company.

vii. The auditor's report to the Committee of any significant changes in the independent auditor's original audit plan.

viii. The auditor's interim financial review prior to the Company's filing of each quarterly report to stockholders (Form 10-Q).

ix. The auditor's views about the fullness and accuracy of the Company's financial statements.

b. Internal Control System Matters

i. Independent auditor's recommendations.

ii. Management's response and resulting actions.

iii. Discussion of specific matters as requested or appropriate.

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c. Audit Scope and Audit Independence

i. Adequacy of the independent auditor's scope, approach and reports.

ii. The nature and extent of advisory services provided by the audit firm and consideration of any impact on auditor independence.

iii. Unusual pressures or other matters, which could impair auditor independence.

8. Review the Company's Code of Conduct and Ethics and ensure that management and the internal audit functions of the Company have in place procedures that are reasonably designed to ensure compliance with this code and that the Company's Code of Ethics is properly communicated to all employees.

9. Review the programs and policies established by management designed to assure compliance with applicable laws and regulations and monitor the results of the compliance efforts.

10. Review with the Company's General Counsel those legal and regulatory matters that may have a material impact on the Company's financial statements and related disclosures.

11. Review with the Company's Chief Information Officer the information systems of the Company including key processes, critical systems and related controls.

12. Discuss with the Company's management and internal auditors risk assessments and risk management.

13. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall have the authority to retain independent counsel, accountants, or others to assist it in the conduct of any investigation.

14. Establish and implement procedures to receive, retain and address complaints regarding accounting and auditing matters, including procedures for employees' anonymous submissions of concerns.

15. Review disclosures made to the Committee by the Company's CEO and CFO during their certification process for the Form 10-K and Form 10-Q regarding:

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- a. all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data, including any material weaknesses in internal controls identified by the Company's independent auditor;
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and
 - c. any significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.
16. Prepare the report of the Committee required under Item 306 of the SEC's Regulation S-K to be included in the Company's annual proxy statement stating whether the Committee:
- a. reviewed and discussed the audited financial statements with management;
 - b. discussed with the independent auditor the matters required to be discussed by SAS 61;
 - c. received the written disclosures from the independent auditor relating to its independence required by Independence Standards Board Standard No. 1; and
 - d. recommended to the Board that the audited financial statements be included in the Company's Form 10-K.

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SMART & FINAL INC.
LONG-TERM EQUITY COMPENSATION PLAN
FOR NON-EMPLOYEE DIRECTORS

ARTICLE 1.

ESTABLISHMENT, OBJECTIVES, AND DURATION

1.1. *Establishment of the Plan.* Smart & Final Inc., a Delaware corporation (hereinafter referred to as the Company), hereby establishes an incentive compensation plan to be known as the Smart & Final Inc. Long-Term Equity Compensation Plan for Non-Employee Directors (hereinafter referred to as the Plan), as set forth in this document. The Plan permits the grant of Options, Stock Appreciation Rights, Restricted Stock, and Restricted Stock Units.

The Plan shall become effective as of May 20, 2005 (the Effective Date) and shall remain in effect as provided in Article 1.3 hereof.

1.2. *Purpose of the Plan.* The purpose of the Plan is to promote the interests of the Company and its stockholders by (i) providing an incentive to those directors of the Company who are not employees of the Company or its subsidiaries to serve on the Board and (ii) linking the personal interests of such directors with the interests of the stockholders in the continuing financial success of the Company.

1.3. *Duration of the Plan.* The Plan shall commence on the Effective Date, as described in Article 1.1 hereof, and shall remain in effect, subject to the right of the Board of Directors to amend or terminate the Plan at any time pursuant to Article 15 hereof, until all Shares subject to it shall have been issued according to the Plan s provisions. However, in no event may an Award be granted under the Plan on or after May 19, 2015.

ARTICLE 2.

DEFINITIONS

Whenever used in the Plan, the following terms shall have the meanings set forth below, and when the meaning is intended, the initial letter of the word shall be capitalized:

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- 2.1. *Award* means, individually or collectively, a grant under this Plan of Options, Stock Appreciation Rights, Restricted Stock, or Restricted Stock Units.
- 2.2. *Award Agreement* means an agreement entered into by the Company and each Participant setting forth the terms and provisions applicable to Awards granted under this Plan.
- 2.3. *Beneficial Owner* or *Beneficial Ownership* shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.
- 2.4. *Board* or *Board of Directors* means the Board of Directors of the Company
- 2.5. *Change in Control* of the Company shall be deemed to have occurred (as of a particular day, as specified by the Board) upon the occurrence of any event described in this Article 2.5 as constituting a Change in Control.

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A Change in Control will be deemed to have occurred as of the first day any one (1) or more of the following events shall have been satisfied:

(a) Any Person (other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company, or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), becomes the Beneficial Owner, directly or indirectly, of securities of the Company, representing more than thirty-five percent (35%) of the combined voting power of the Company's then outstanding securities; or (b) During any period of two (2) consecutive years (not including any period prior to the Effective Date), individuals who at the beginning of such period constitute the Board (and any new Director, whose election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was so approved), cease for any reason to constitute a majority thereof, or (c) The stockholders of the Company approve: (i) a plan of complete liquidation of the Company; or (ii) an agreement for the sale or disposition of all or substantially all the Company's assets; or (iii) a merger, consolidation, or reorganization of the Company with or involving any other corporation, other than a merger, consolidation, or reorganization that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least sixty-five percent (65%) of the combined voting power of the voting securities of the Company (or such surviving entity) outstanding immediately after such merger, consolidation, or reorganization.

However, in no event shall a Change in Control be deemed to have occurred, with respect to a Participant, if that Participant is part of a purchasing group which consummates the Change-in-Control transaction. The Participant shall be deemed part of a purchasing group for purposes of the preceding sentence if the Participant is an equity participant or has agreed to become an equity participant in the purchasing company or group (except for (i) passive ownership of less than three percent (3%) of the voting equity securities of the purchasing company; or (ii) ownership of equity participation in the purchasing company or group which is otherwise deemed not to be significant, as determined prior to the Change in Control by a majority of the continuing Non-Employee Directors).

2.6. *Code* means the Internal Revenue Code of 1986, as amended from time to time.

2.7. *Committee* means the Corporate Governance Committee of the Board, as specified in Article 3 herein, or such other Committee appointed by the Board to administer the Plan with respect to grants of Awards.

2.8. *Company* means Smart & Final Inc., a Delaware corporation, including any and all Subsidiaries, and any successor thereto as provided in Article 18 herein.

2.9. *Director* means any individual who is a member of the Board of Directors of the Company.

2.10. *Disability* shall have the meaning ascribed to such term in the Participant's governing long-term disability plan, or if no such plan exists, at the discretion of the Committee.

2.11. *Effective Date* shall have the meaning ascribed to such term in Article 1.1 hereof.

2.12. *Exchange Act* means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

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2.13. *Fair Market Value* shall be determined on the basis of the closing sale price on the principal securities exchange on which the Shares are traded or, if there is no such sale on the relevant date, then on the last previous day on which a sale was reported.

2.14. *Freestanding SAR* means an SAR that is granted independently of any Options, as described in Article 7 herein.

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2.15. *Insider* shall mean an individual who is, on the relevant date, an officer, director or ten percent (10%) beneficial owner of any class of the Company's equity securities that is registered pursuant to Section 12 of the Exchange Act, all as defined under Section 16 of the Exchange Act.

2.16. *Non-Employee Director* means an individual who is a member of the Board of Directors of the Company but who is not an employee of the Company.

2.17. *Option* means a Nonqualified Stock Option that is not intended to meet the requirements of Code Section 422, as described in Article 6 herein.

2.18. *Option Price* or *Exercise Price* means the price at which a Share may be purchased by a Participant pursuant to an Option.

2.19. *Participant* means a Non-Employee Director who has outstanding an Award granted under the Plan.

2.20. *Period of Restriction* means the period during which the transfer of Shares of Restricted Stock is limited in some way (based on the passage of time, the achievement of performance goals, or upon the occurrence of other events as determined by the Committee, at its discretion), and the Shares are subject to a substantial risk of forfeiture, as provided in Article 8 herein.

2.21. *Person* shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a group as defined in Section 13(d) thereof.

2.22. *Restricted Stock* means an Award granted to a Participant pursuant to Article 8 herein.

2.23. *Restricted Stock Unit* means an Award denominated in units of common stock granted to a Participant pursuant to Article 8 herein.

2.24. *Shares* means the shares of common stock of the Company.

2.25. *Stock Appreciation Right* or *SAR* means an Award, granted alone or in connection with a related Option, designated as an SAR, pursuant to the terms of Article 7 herein.

2.26. *Subsidiary* means any corporation, partnership, joint venture, or other entity in which the Company has a majority voting interest (including all division, affiliates, and related entities).

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2.27. *Tandem SAR* means an SAR that is granted in connection with a related Option pursuant to Article 7 herein, the exercise of which shall require forfeiture of the right to purchase a Share under the related Option (and when a Share is purchased under the Option, the Tandem SAR shall similarly be canceled).

ARTICLE 3.

ADMINISTRATION

3.1. *The Committee.* The Plan shall be administered by the Corporate Governance Committee of the Board, or by any other Committee appointed by the Board. The members of the Committee shall be appointed from time to time by, and shall serve at the discretion of, the Board.

3.2. *Authority of the Committee.* Except as limited by law or by the Certificate of Incorporation or Bylaws of the Company, and subject to the provisions herein, the Committee shall have full power to select Persons who shall participate in the Plan; determine the sizes and types of Awards; determine the terms and

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conditions of Awards in a manner consistent with the Plan; construe and interpret the Plan and any agreement or instrument entered into under the Plan as they apply to any eligible Persons; establish, amend, or waive rules and regulations for the Plan's administration as they apply to eligible Persons; and (subject to the provisions of Article 15 herein) amend the terms and conditions of any outstanding Award to the extent such terms and conditions are within the discretion of the Committee as provided in the Plan. Further, the Committee shall make all other determinations which may be necessary or advisable for the administration of the Plan, as the Plan applies to eligible Persons. As permitted by law, the Committee may delegate its authority as identified herein.

3.3. *Decisions Binding.* All determinations and decisions made by the Committee pursuant to the provisions of the Plan and all related orders and resolutions of the Board shall be final, conclusive and binding on all Persons, including the Company, its stockholders, Employees, Participants, and their estates and beneficiaries.

ARTICLE 4.

SHARES SUBJECT TO THE PLAN AND MAXIMUM AWARDS

4.1. *Number of Shares Available for Grant.* Subject to adjustment as provided in Article 4.2 herein, the number of Shares hereby authorized for issuance to Participants under the Plan shall be Three Hundred Seventy-Five Thousand (375,000). Effective as of May 30 of each year, there shall be an automatic increase in the number of Shares, Options, Restricted Stock, SARs, Tandem SARs and Restricted Stock Units available for Awards to eligible Participants in an amount equal to the number of Shares issued by reason of such Awards being exercised and/or, in the case of restricted stock, vesting during such fiscal year, provided that the maximum aggregate number of Shares available for Awards under the Plan during any fiscal year of the Company shall not exceed one and three-tenths percent (1.3%) of the adjusted average of the outstanding Common Stock, as that number is determined by the Company to calculate fully diluted earnings per share for the preceding fiscal year. The Committee shall determine the appropriate methodology for calculating the number of shares issued pursuant to the Plan.

4.2. *Adjustments in Authorized Shares.* In the event of any change in corporate capitalization, such as a stock split, or a corporate transaction, such as any merger, consolidation, separation, including a spin-off, or other distribution of stock or property of the Company, any reorganization (whether or not such reorganization comes within the definition of such term in Code Section 368) or any partial or complete liquidation of the Company, such adjustment shall be made in the number and class of Shares which may be delivered under Article 4.1, in the number and class of and/or price of Shares subject to outstanding Awards granted under the Plan as may be determined to be appropriate and equitable by the Committee, in its sole discretion, to prevent dilution or enlargement of rights; provided, however, that the number of Shares subject to any Award shall always be a whole number.

ARTICLE 5.

ELIGIBILITY AND PARTICIPATION

5.1. *Eligibility.* Persons eligible to participate in this Plan include all Non-Employee Directors.

5.2. *Actual Participation.* Subject to the provisions of the Plan, the Committee may, from time to time, select from all eligible Persons, those to whom Awards shall be granted and shall determine the nature and amount of each Award.

ARTICLE 6.

STOCK OPTIONS

6.1. *Eligibility; Grant of Options.* Subject to the terms and provisions of the Plan, Options may be granted to eligible Persons in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee.

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6.2. *Award Agreement.* Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the duration of the Option, the number of Shares to which the Option pertains, and such other provisions as the Committee shall determine. The Award Agreement also shall specify that the Option is a nonqualified stock option that is intended not to fall under the provisions of Code Section 422.

6.3. *Option Price.* The Option Price for each grant of an Option under this Plan shall be at least equal to one hundred percent (100%) of the Fair Market Value of a Share on the date the Option is granted.

6.4. *Duration of Options.* Each Option granted to an Employee shall expire at such time as the Committee shall determine at the time of grant; provided, however, that no Option shall be exercisable later than the tenth (10th) anniversary date of its grant.

6.5. *Exercise of Options.* Options granted under this Article 6 shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which need not be the same for each grant or for each Participant.

6.6. *Payment.* Options granted under this Article 6 shall be exercised by the delivery of a written notice of exercise to the Company, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares.

The Option Price upon exercise of any Option shall be payable to the Company in full either: (a) in cash or its equivalent, or (b) subject to applicable securities law restrictions, by tendering previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the total Option Price (provided that the Shares which are tendered must have been held by the Participant for at least six (6) months prior to their tender to satisfy the Option Price, or any shorter period determined by the Company to be sufficient to avoid a charge to the Company's earnings for financial reporting purposes), or (c) by a combination of (a) and (b), as the Committee may specify in the Award Agreement entered into with each Participant.

The Committee also may allow cashless exercise as permitted under Federal Reserve Board's Regulation T, to the extent permitted by law and subject to applicable securities law restrictions, or by any other means which the Committee determines to be consistent with the Plan's purpose and applicable law. Subject to any governing rules or regulations, as soon as practicable after receipt of a written notification of exercise and full payment, the Company shall deliver to the Participant, in the Participant's name, Share certificates in an appropriate amount based upon the number of Shares purchased under the Option(s).

6.7. *Restrictions on Share Transferability.* The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option granted under this Article 6 as it may deem advisable, including, without limitation, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such Shares.

6.8. *Termination of Directorship.* Each Participant's Option Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the Option following termination of the Participant's service as a director of the Company. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Options issued pursuant to this Article 6, and may reflect distinctions based on the reasons for termination service as a director of the Company.

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6.9. *Non-transferability of Options.* Except as otherwise provided in a Participant's Award Agreement, no Stock Options granted under this Article 6 may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, all Stock Options granted to a Participant under this Article 6 shall be exercisable during his or her lifetime only by such Participant.

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ARTICLE 7.

STOCK APPRECIATION RIGHTS

7.1. *Eligibility; Grant of SARs.* Subject to the terms and conditions of the Plan, SARs may be granted to eligible Persons at any time and from time to time as shall be determined by the Committee. The Committee may grant Freestanding SARs, Tandem SARs, or any combination of these forms of SAR. Tandem SARs may be granted only concurrently with the grant of the related Option.

The Committee shall have complete discretion in determining the number of SARs granted to each Participant (subject to Article 4 herein) and, consistent with the provisions of the Plan, in determining the terms and conditions pertaining to such SARs. The grant price of a Freestanding SAR shall equal the Fair Market Value of a Share on the date of grant of the SAR. The grant price of Tandem SARs shall equal the Option Price of the related Option.

7.2. *Exercise of Tandem SARs.* Tandem SARs may be exercised for all or part of the Shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option. A Tandem SAR may be exercised only with respect to the Shares for which its related Option is then exercisable.

7.3. *Exercise of Freestanding SARs.* Freestanding SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes upon them.

7.4. *SAR Agreement.* Each SAR grant shall be evidenced by an Award Agreement that shall specify the grant price, the term of the SAR, and such other provisions as the Committee shall determine.

7.5. *Term of SARs.* The term of a SAR granted under the Plan shall be determined by the Committee, in its sole discretion; provided, however, that such term shall not exceed ten (10) years.

7.6. *Payment of SAR Amount.* Upon exercise of a SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

- (a) The difference between the Fair Market Value of a Share on the date of exercise over the grant price; by
- (b) The number of Shares with respect to which the SAR is exercised.

At the discretion of the Committee, the payment upon SAR exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

7.7. *Termination of Service as a Director.* Each SAR Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the SAR following termination of the Participant's service as a director of the Company. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with Participants, need not be uniform among all SARs issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of service as a director of the Company.

7.8. *Non-transferability of SARs.* Except as otherwise provided in a Participant's Award Agreement, no SAR granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, all SARs granted to a Participant under the Plan shall be exercisable during his or her lifetime only by such Participant.

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ARTICLE 8.

STOCK AWARDS, RESTRICTED STOCK AND RESTRICTED STOCK UNITS

8.1. *Eligibility; Grant.* Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Stock Awards, Shares of Restricted Stock and Restricted Stock Units to eligible Persons in such amounts as the Committee shall determine. Without limiting the generality of the foregoing, Stock Awards, Shares of Restricted Stock and Restricted Stock Units may be granted in connection with payouts under other compensation programs of the Company.

8.2. *Restricted Stock and Restricted Stock Unit Agreement.* Each Restricted Stock and Restricted Stock Unit grant shall be evidenced by an Award Agreement that shall specify the Period(s) of Restriction, the number of Shares of Restricted Stock or Restricted Stock Units granted, and such other provisions as the Committee shall determine.

8.3. *Transferability.* Except as provided in this Article 8, the Shares of Restricted Stock and Restricted Stock Units granted herein may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction established by the Committee and specified in the Award Agreement, or upon earlier satisfaction of any other conditions, as specified by the Committee in its sole discretion and set forth in the Award Agreement. All rights with respect to the Restricted Stock and Restricted Stock Units granted to a Participant under the Plan shall be available during his or her lifetime only to such Participant.

8.4. *Other Restrictions.* The Committee may impose such other conditions and/or restrictions on any Shares of Restricted Stock and Restricted Stock Units granted pursuant to the Plan as it may deem advisable including, without limitation, a requirement that Participants pay a stipulated purchase price for each Share of Restricted Stock or Restricted Stock Unit, time-based restrictions on vesting, and/or restrictions under applicable Federal or state securities laws.

The Company shall retain the certificates representing Shares of Restricted Stock in the Company's possession until such time as all conditions and/or restrictions applicable to such Shares have been satisfied, or the issuance may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange. Except as otherwise provided in this Article 8, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan shall become freely transferable by the Participant after the last day of the applicable Period of Restriction.

8.5. *Voting Rights.* During the Period of Restriction, Participants holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares.

8.6. *Dividends and Other Distributions.* During the Period of Restriction, Participants holding Shares of Restricted Stock granted hereunder may be credited with regular cash dividends paid with respect to the underlying Shares while they are so held. The Committee may apply any restrictions to the dividends that the Committee deems appropriate.

8.7. *Termination of Service as a Director.* Each Restricted Stock Award Agreement shall set forth the extent to which the Participant shall have the right to receive unvested Restricted Shares following termination of the Participant's service as a director of the Company. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each

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Participant, need not be uniform among all Shares of Restricted Stock issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of service as a director of the Company.

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ARTICLE 9.

BENEFICIARY DESIGNATION

Each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

ARTICLE 10.

DEFERRALS

The Committee may permit or require a Participant to defer such Participant's receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant by virtue of the exercise of an Option or SAR, or the lapse or waiver of restrictions with respect to Restricted Stock, or the vesting of Restricted Stock Units. If any such deferral election is required or permitted, the Committee shall, in its sole discretion, establish rules and procedures for such payment deferrals.

ARTICLE 11.

RIGHTS TO CONTINUED SERVICE

11.1. *Service.* Nothing in the Plan shall confer upon any Participant any right to continue in service as a director of the Company.

11.2. *Participation.* No Non-Employee Director shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award.

ARTICLE 12.

CHANGE IN CONTROL

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12.1. *Treatment of Outstanding Awards.* Upon the occurrence of a Change in Control, unless otherwise specifically prohibited under applicable laws, or by the rules and regulations of any governing governmental agencies or national securities exchanges:

(a) Any and all Options and SARs granted hereunder shall become immediately exercisable, and shall remain exercisable throughout their entire term;

(b) Any restriction periods and restrictions imposed on Restricted Shares shall lapse;

(c) The target payout opportunities attainable under all outstanding Awards of Restricted Stock shall be deemed to have been fully earned for the entire Performance Period(s) as of the effective date of the Change in Control. The vesting of all Awards denominated in Shares shall be accelerated as of the effective date of the Change in Control, and there shall be paid out in cash to Participants within thirty (30) days following the effective date of the Change in Control a pro rata amount based upon an assumed achievement of all relevant performance goals and upon the length of time within the Performance Period which has elapsed prior to the Change in Control.

12.2. *Termination, Amendment, and Modifications of Change-in-Control Provisions.* Notwithstanding any other provision of this Plan or any Award Agreement provision, the provisions of this Article 14 may not be

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terminated, amended, or modified on or after the date of a Change in Control to affect adversely any Award theretofore granted under the Plan without the prior written consent of the Participant with respect to said Participant's outstanding Awards; provided, however, the Board, upon recommendation of the Committee, may terminate, amend, or modify this Article 14 at any time and from time to time prior to the date of a Change in Control.

ARTICLE 13.

AMENDMENT, MODIFICATION, AND TERMINATION

13.1. *Amendment, Modification, and Termination.* The Board may at any time and from time to time, alter, amend, suspend or terminate the Plan in whole or in part; provided, however, that no amendment which requires stockholder approval in order for the Plan to continue to comply with Rule 16b-3 under the Exchange Act, including any successor to such Rule, shall be effective unless such amendment shall be approved by the requisite vote of stockholders of the Company entitled to vote thereon.

13.2. *Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events.* The Committee may make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Article 4.2 hereof) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

13.3. *Awards Previously Granted.* No termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Participant holding such Award.

ARTICLE 14.

INDEMNIFICATION

Each person who is or shall have been a member of the Committee, or of the Board, shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation of Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

ARTICLE 15.

SUCCESSORS

All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

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ARTICLE 16.

LEGAL CONSTRUCTION

16.1. *Gender and Number.* Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

16.2. *Severability.* In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

16.3. *Requirements of Law.* The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

16.4. *Securities Law Compliance.* With respect to Insiders, transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the Exchange Act. To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

16.5. *Governing Law.* To the extent not preempted by federal law, the Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Delaware.

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PROXY

PROXY

SMART & FINAL INC.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned revokes all previous proxies and hereby appoints Donald G. Alvarado and Richard N. Phegley, and each of them, proxies of the undersigned, each with full power to act without the other and with power of substitution, to represent the undersigned and vote as directed on the reverse hereof all shares of Common Stock, \$.01 par value per share, of Smart & Final Inc. (the Company), which the undersigned may be entitled to vote at the Annual Meeting of Stockholders of the Company to be held on May 20, 2005, or any adjournments thereof, and in their discretion upon such other business as may properly come before the Annual Meeting, or any adjournments thereof.

(Continued on reverse side)

Address Change/Comments (Mark the corresponding box on the reverse side)

Δ FOLD AND DETACH HERE Δ

Admission Ticket

2005 Annual Meeting of Stockholders

Friday, May 20, 2005

2:00 P.M.

Smart & Final Inc.

Corporate Headquarters

600 Citadel Drive

PLEASE ADMIT

Non-Transferable

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF EACH OF THE NOMINEES FOR DIRECTOR AND FOR PROPOSAL 2.

Please Mark
Here for
Address
Change or
Comments
SEE REVERSE SIDE

1. Election of Directors
Nominees:

FOR	WITHHOLD AUTHORITY
all listed nominees	to vote for all
(except as indicated)	nominees listed

2. Approval of the Long-Term Equity Compensation Plan for Non-Employee Directors

FOR	AGAINST	ABSTAIN
..

- 01 Pascal Announ ..
- 02 Thierry Bourgeron
- 03 Timm F. Crull
- 04 David J. McLaughlin
- 05 Joël-André Ornstein
- 06 Ross E. Roeder
- 07 Etienne Snollaerts
- 08 Stephen E. Watson

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER AND, IF NO DIRECTIONS ARE GIVEN, WILL BE VOTED FOR THE ELECTION OF THE NOMINEES AND FOR PROPOSAL 2.

(INSTRUCTION: To withhold authority to vote for any nominee, cross his name out above.)

Signature _____ Signature _____ Date _____, 2005

Please sign exactly as your name appears hereon. When signing as attorney, executor, administrator, trustee, or guardian, set forth your full title. When shares are held in more than one name, both parties should sign. If a corporation, sign in full corporate name by President or other authorized officer. If a partnership, sign in partnership name by authorized person.

Δ FOLD AND DETACH HERE Δ

REVOCABLE VOTING INSTRUCTIONS

PROXY

SMART & FINAL INC.

VOTING INSTRUCTIONS TO TRUSTEE

FOR THE ANNUAL MEETING OF THE STOCKHOLDERS OF SMART & FINAL INC. ON MAY 20, 2005.

THE TRUSTEE SOLICITS THESE VOTING INSTRUCTIONS FROM PARTICIPANTS IN THE SMART & FINAL EMPLOYEE STOCK PURCHASE PLAN WHO HAVE RIGHTS IN THE COMMON STOCK.

The undersigned Participant in the Smart & Final Employee Stock Purchase Plan hereby instructs Computershare, as Trustee of the Smart & Final Employee Stock Purchase Plan, to vote all shares of Smart & Final Inc. common stock allocated to the accounts of the undersigned under the Smart & Final Employee Stock Purchase Plan, and to act in its discretion upon such other business as may properly come before the Annual Meeting of Stockholders of the Company to be held on May 20, 2005, or any adjournments thereof.

Please vote in accordance with the instructions on the reverse side of this card by May 18, 2005.

THIS CARD WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER AND, IF NO DIRECTIONS ARE GIVEN, THE TRUSTEE WILL VOTE PROPORTIONATELY FOR PROPOSAL 1 AND FOR PROPOSAL 2.

(Continued on reverse side)

Address Change/Comments (Mark the corresponding box on the reverse side)

Δ FOLD AND DETACH HERE Δ

Admission Ticket

2005 Annual Meeting of Stockholders

Friday, May 20, 2005

2:00 P.M.

Smart & Final Inc.

Corporate Headquarters

600 Citadel Drive

Commerce, California 90040

PLEASE ADMIT

Non-Transferable

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF EACH OF THE NOMINEES FOR DIRECTOR AND FOR PROPOSAL 2.

Please Mark Here for Address Change or Comments
SEE REVERSE SIDE

1. Election of Directors
Nominees:

FOR	WITHHOLD AUTHORITY
all listed nominees (except as indicated)	to vote for all nominees listed

2. Approval of the Long-Term Equity Compensation Plan for Non-Employee Directors

FOR	AGAINST	ABSTAIN
..

- 01 Pascal Announ ..
- 02 Thierry Bourgeron
- 03 Timm F. Crull
- 04 David J. McLaughlin
- 05 Joël-André Ornstein
- 06 Ross E. Roeder
- 07 Etienne Snollaerts
- 08 Stephen E. Watson

THIS CARD WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER AND, IF NO DIRECTIONS ARE GIVEN, THE TRUSTEE WILL VOTE PROPORTIONATELY FOR PROPOSAL 1 AND FOR PROPOSAL 2.

(INSTRUCTION: To withhold authority to vote for any nominee, cross his name out above.)

Signature _____ Signature _____ Date _____, 2005

Please sign exactly as your name appears hereon. When signing as attorney, executor, administrator, trustee, or guardian, set forth your full title. When shares are held in more than one name, both parties should sign. If a corporation, sign in full corporate name by President or other authorized officer. If a partnership, sign in partnership name by authorized person.

Δ FOLD AND DETACH HERE Δ