

SMART & FINAL INC/DE
Form 10-K/A
April 30, 2007
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-K/A
(Amendment No. 1)

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-10811

SMART & FINAL INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

95-4079584
(IRS Employer
Identification No.)

600 Citadel Drive City of Commerce, California
(Address of principal executive offices)

90040
(zip code)

Registrant's telephone number, including area code: (323) 869-7500

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of **June 18, 2006**, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of Common Stock held by non-affiliates of the registrant based on the closing price of the Common Stock on the New York Stock Exchange composite tape was \$227,835,000 (non-affiliates excludes for this purpose executive officers, directors and the registrant's majority shareholder).

As of **March 2, 2007**, the registrant had outstanding 32,007,130 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

None.

Table of Contents

SMART & FINAL INC.

INDEX TO ANNUAL REPORT ON FORM 10-K/A (Amendment No. 1)

For the Fiscal Year Ended December 31, 2006

Caption	Page
PART III	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	1
Item 11. <u>Executive Compensation</u>	14
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	45
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	47
Item 14. <u>Principal Accounting Fees and Services</u>	49

Table of Contents

Explanatory Note

The purpose of this Form 10-K/A is to amend Part III, Items 10 through 14, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, which was filed with the Securities and Exchange Commission on March 7, 2007 (the "2006 Form 10-K"). Form 10-K General Instruction G(3) requires the information contained herein be included in the Form 10-K filing or incorporated by reference from our definitive Proxy Statement if such statement is filed not later than 120 days after our last fiscal yearend. We do not expect to file a definitive Proxy Statement containing the above referenced items within such 120-day period and therefore the Part III information is filed hereby as an amendment to our 2006 Form 10-K.

Table of Contents**PART III****Item 10. Directors, Executive Officers and Corporate Governance**

The following table sets forth, as of April 19, 2007, information concerning each person serving as a director for Smart & Final Inc., referred to herein as the Company:

Directors

Name	Age	Director Since
<i>L. Hakim Aouani</i>	42	2006
Mr. Aouani was appointed to our Board in February 2006 and serves on our Corporate Governance Committee. Mr. Aouani is currently the Senior Vice President of Corporate Development and Holdings for Casino Guichard-Perrachon, S.A. (Groupe Casino). Mr. Aouani joined Groupe Casino in early 1998 as head of the merger and acquisitions department. From 1994 through 1998, Mr. Aouani was the Vice President of Mergers and Acquisitions for C.C.F (currently HSBC France), responsible for relationships with French and international corporations. From 1990 through 1994, Mr. Aouani handled leveraged buy-outs, senior debt financings and capital development projects at Banque Worms (currently Deutsche Bank). Mr. Aouani currently serves as a director for two other publicly-traded companies in which Groupe Casino is a major shareholder. Companhia Brasileira de Distribuição (CBD) is a Brazilian company traded on the São Paulo Stock Exchange and also on the NYSE through the ADR Program under the symbol CBD . Mr. Aouani is a member of CBD s board of directors and also serves on CBD s financial committee. Mr. Aouani is also a member of the board of directors of Exito, a Columbian company traded on the Bolsa de Valores de Colombia.		
<i>Thierry Bourgeron</i>	53	2005
Mr. Bourgeron has served as a director on our Board since 2005 and is also a member of our Compensation Committee. Mr. Bourgeron has been the Executive Vice President of Human Resources and Communication for Groupe Casino from 1999 to the present. Prior to joining Groupe Casino, from 1994 to 1999, he was the Vice President of Human Resources for Rhône Poulenc Agrochimie in Lyon, France and a member of the executive committee of its parent corporation, Rhône-Poulenc, S.A., an international, diversified chemical company (now Aventis S.A.). From 1992 to 1994, he was employed with DRH International de Rhône-Poulenc Inc., an affiliate of Rhône-Poulenc located in Princeton, New Jersey. Earlier, he held positions in the human resource department of Rhône-Poulenc and its affiliates, beginning in 1984. Mr. Bourgeron also serves as a director for three other Groupe Casino affiliates, Big C Super Centers (Thailand), Mercialys and Go Sport.		
<i>Timm F. Crull</i>	76	1994
Mr. Crull has served as a director on our Board since 1994. Currently, Mr. Crull serves on our Audit Committee and is Chairman of our Compensation		

Table of Contents

Name	Age	Director Since
<p>Committee. From 1991 until his retirement in 1994, Mr. Crull was Chairman of the Board and Chief Executive Officer of Nestlé USA, Inc., a food and related products company. From 1983 to the beginning of 1990, Mr. Crull also held the position of Chairman of the Board and President of Carnation Company, a food and related products company.</p> <p style="text-align: center;"><i>David L. Meyers</i></p>	61	2006
<p>Mr. Meyers was elected to our Board in May 2006. After his election he was appointed as the Chairman of our Audit Committee; he is also a member of our Compensation Committee. Mr. Meyers is the Executive Vice President, Administration and Chief Financial Officer of Del Monte Foods, a producer, distributor and marketer of branded and private label food and pet products based in San Francisco, California. Mr. Meyers began his career with Del Monte in 1987 and assumed the title of Vice President of Finance in 1990. In 1991, he became the Chief Financial Officer and added the duties of Executive Vice President in 1992. From 1994 to 1997, he served on the board of directors of Del Monte Foods. Prior to joining Del Monte, Mr. Meyers held various senior finance positions with RJR Nabisco and Nabisco Brands USA.</p> <p style="text-align: center;"><i>Joël-André Ornstein</i></p>	52	1999
<p>Mr. Ornstein has served as a director on our Board since 1999. Since 1989, Mr. Ornstein has been Senior Adviser to the Chairman and Chief Executive Officer of Groupe Euris, or Euris, a Paris-based investment holding company controlled by Mr. Jean-Charles Naouri. Mr. Naouri is a French citizen whose principal business is making corporate investments and who owns, through holding entities, a controlling interest in Groupe Casino, which in turn owns a controlling interest in us. Mr. Ornstein is also Chairman and Chief Executive Officer of Euristates, Inc., the U.S. based subsidiary of Euris. He is also a director of Euris, S.A. and Euristates, Inc. Mr. Ornstein has served, among other positions, as a director of Baker & Taylor, Nets Sports and Entertainment, LLC, DLB Oil & Gas, Ztango, The Athletes Foot, Carlyle-Euris & Co., Sears World Trade, and The Washington Group, and has also served on the investment committees of a number of private equity groups. Prior to joining Euris, he was an investment banker at First Boston-CSFB, which now is Credit Suisse, and Dean Witter Reynolds, which is now Morgan Stanley.</p> <p style="text-align: center;"><i>Ross E. Roeder</i></p>	69	1984
<p>Mr. Roeder has served as a director on our Board since 1984. He is currently Chairman of our Board and Chairman of the Corporate Governance Committee and, in May 2005, he was appointed to our Compensation Committee. Mr. Roeder became our Chairman, President and Chief Executive Officer in January 1999. In September 2003, when Mr. Snollaerts became our President, Mr. Roeder continued to serve as our Chief Executive Officer until May 19, 2004, when he became our non-executive Chairman. Prior to his</p>		

Table of Contents

Name	Age	Director Since
<p>appointment as Chairman and Chief Executive Officer, Mr. Roeder was Chairman of our Audit Committee and a member of our Compensation Committee. Mr. Roeder became Chairman of our Corporate Governance Committee in early 1999. Until 1998, Mr. Roeder was Chairman of Morgan-Kaufman Publishers, Inc., a publisher of computer science text and reference books, where he was also a director from 1986 to 1998. Since 1997, Mr. Roeder has served as a director of Chico's FAS, Inc., a retail women's store company, where he also serves on its corporate governance committee, compensation and benefits committee and audit committee. From 1995 to 2002, Mr. Roeder served as a director of Gulf West Banks, Inc., which in 2002 was acquired by The South Financial Group. Mr. Roeder is currently serving as a director of Mercantile Bank, a subsidiary of The South Financial Group. (For a further discussion of Mr. Roeder's consulting agreement with us, see Director Compensation and Director Stock Plans - Roeder Consulting Agreement, page 45 below.)</p> <p style="text-align: center;"><i>Etienne Snollaerts</i></p>	51	1998
<p>Mr. Snollaerts has served as a director on our Board since 1998. Currently, Mr. Snollaerts serves on our Corporate Governance Committee. In September 2003, Mr. Snollaerts was named our President and Chief Operating Officer and on May 19, 2004 became our Chief Executive Officer. Prior to joining our executive group, he was the Deputy General Manager and Director of the supply chain within Groupe Casino and was responsible for supervising Groupe Casino's investment in us. From 1998 to 2000, Mr. Snollaerts was in charge of the international activities of Groupe Casino, which included operations in ten countries. He has been associated with Groupe Casino since 1985 and served as Director of Purchasing and Logistics and as Director of Retail Distributions, Store Operations and Information Systems. Before 1985, Mr. Snollaerts was a management consultant with Alexander Proudfoot Company, now Management Consulting Group PLC. (For a further discussion of Mr. Snollaerts' employment agreement with us, see Executive Compensation - Snollaerts Employment Agreement, page 22 below.)</p> <p style="text-align: center;"><i>Stephen E. Watson</i></p>	62	2004
<p>Mr. Watson has served as a director on our Board since 2004 and also serves on our Audit Committee and Corporate Governance Committee. From 1997 to 2002 when he retired, Mr. Watson was President and Chief Executive Officer of Gander Mountain, L.L.C., a privately-held retailer of outdoor recreational equipment and clothing. Previously, he held various executive officer positions with Target Corporation and its predecessors. He joined Target Corporation in 1973 and headed merchandising for its department store division until becoming the division's chairman and chief executive officer in 1985. He continued in that role until his retirement from the company in 1996 and additionally held the position of president and director of Target Corporation from 1991 to 1996. Mr. Watson also serves on the boards of directors of Eddie Bauer Inc., a chain of specialty apparel stores, and Kohl's Inc., a specialty department store chain.</p>		

Table of Contents**Executive Officers**

The following table sets forth, as of April 19, 2007, the names, ages and titles of our executive officers and the officers of our subsidiaries, Smart & Final Stores Corporation (Smart & Final Stores) and American Foodservice Distributors, Inc. (American Foodservice Distributors):

Name	Age	Title
Etienne Snollaerts	51	Chief Executive Officer and President of Smart & Final Inc., Smart & Final Stores, and American Foodservice Distributors
Donald G. Alvarado	52	Senior Vice President, General Counsel and Secretary of Smart & Final Inc. and Smart & Final Stores; and Senior Vice President and Secretary of American Foodservice Distributors
Zeke Duge	60	Senior Vice President and Chief Information Officer of Smart & Final Stores
Richard A. Link	52	Vice President, Controller and Chief Accounting Officer of Smart & Final Inc., American Foodservice Distributors and Vice President and Chief Accounting Officer of Smart & Final Stores
Norah Morley	55	Senior Vice President, Buying and Marketing of Smart & Final Stores
Suzanne Mullins	54	Senior Vice President of Store Operations, central region, of Smart & Final Stores
Richard N. Phegley	51	Senior Vice President and Chief Financial Officer of Smart & Final Inc., Smart & Final Stores, and American Foodservice Distributors
C. Marie Robinson	39	Senior Vice President, Supply Chain of Smart & Final Stores
Timothy M. Snee	53	Senior Vice President, Store Operations of Smart & Final Stores
Jeff D. Whynot	50	Senior Vice President, Human Resources and Administration of Smart & Final Inc. and Smart & Final Stores
John M. Willis	61	Senior Vice President, Smart Foodservice Operations for Smart & Final Stores

Our executive officers are appointed by our Board and serve at our Board's discretion.

Table of Contents

Etienne Snollaerts. See Directors above for biographical information on Mr. Snollaerts.

Donald G. Alvarado. Mr. Alvarado was named Senior Vice President, General Counsel of Smart & Final Inc. and Smart & Final Stores in September 1996. Mr. Alvarado also serves as our Secretary and the Secretary of American Foodservice Distributors and Smart & Final Stores. From 1991 until September 1996, he served as our Vice President, General Counsel and Secretary. Mr. Alvarado joined us in 1987 as our Assistant General Counsel and was appointed our Secretary in 1989. He has been Secretary of Smart & Final Stores since 1990. From 1989 to January 1994, Mr. Alvarado was also Assistant Secretary of Casino USA, Inc., the U.S. based subsidiary of Groupe Casino, and of Casino Realty, Inc., its former wholly-owned subsidiary. From September 2003 to September 2006, Mr. Alvarado served as the Secretary of Casino USA, Inc.

Zeke Duge. Mr. Duge joined us in September 2000 as Senior Vice President and Chief Information Officer in charge of information technology for Smart & Final Stores. Immediately before joining Smart & Final Stores, Mr. Duge was Vice President and Chief Information Officer of West Marine, Inc., a specialty boating retailer. Mr. Duge has more than 30 years experience in data processing, having also held various positions at Xerox Computer Services, Nissan, Tandem Computers and Oracle Corporation.

Richard A. Link. Mr. Link joined us in October 2001 as our Vice President and Controller and as the Vice President and Chief Accounting Officer of Smart & Final Stores. In December 2001, Mr. Link was designated our Chief Accounting Officer. From September 1988 through February 2001, Mr. Link served in various capacities with Maxicare Health Plans, Inc. (Maxicare). His positions included Senior Vice President, Accounting and Chief Accounting Officer from 1988 through 1997, Executive Vice President-Finance and Administration and Chief Financial Officer from 1997 through February 2001, and Chief Operating Officer from 1999 through February 2001. Mr. Link previously served with Price Waterhouse as a senior audit manager.

Norah Morley. Ms. Morley was named Senior Vice President of Buying and Marketing in September 2006, with responsibility for our product buying and marketing activities. She joined us in August 1999 as Senior Vice President of Marketing. From 1996 to 1999, Ms. Morley was the Senior Vice President of Marketing, Buying and Distribution for The Sweet Factory, a retail candy company. From 1992 to 1996, Ms. Morley was the Vice President of Marketing and Buying with W.H. Smith PLC. Prior to that position, she was Vice President of Marketing for Frank's Nursery and Crafts. Ms. Morley has also held various positions related to consumer packaged goods marketing, including Director of Marketing for The Pillsbury Company.

Suzanne Mullins. Ms. Mullins was appointed Senior Vice President, Store Operations of Smart & Final Stores in July 1997. Before her promotion in 1997, she was Vice President, Buying for Smart & Final Stores from August 1994 and Vice President, Operations of Smart & Final Stores from 1991 to 1994. Prior to that, Ms. Mullins held various store operations positions, including District Manager. Ms. Mullins first joined us in 1987.

Richard N. Phegley. Mr. Phegley was appointed to serve as Senior Vice President and Chief Financial Officer of Smart & Final Inc., Smart & Final Stores and American Foodservice Distributors in May 2001. From May 1999 to May 2001, he served as Vice President and Treasurer of Smart & Final Inc. and American Foodservice Distributors. Mr. Phegley joined us as Vice President and Treasurer of Smart & Final Stores in 1996. Prior to joining us, he was with Atlantic Richfield Company, now a subsidiary of BP PLC, for 17 years, where he served in various senior treasury, strategic planning and financial management positions.

C. Marie Robinson. Ms. Robinson was appointed to serve as Senior Vice President of Supply Chain for Smart & Final Stores in September 2006, with responsibility for distribution management, replenishment purchasing and inventory management. She was previously appointed as our Vice President of Distribution of Smart & Final Stores in May 2005. Before joining us, from 2003 to 2005, she was the Regional Director of Logistics for Toys R Us, Inc. From 1993 to 2003, she was employed by Wal-Mart Stores, Inc. and held various

Table of Contents

management positions in distribution and logistics, including Regional Vice President of logistics from 2000 to 2003. From 1990 to 1993, Ms. Robinson was a logistics officer in the United States Army.

Timothy M. Snee. Mr. Snee was appointed Senior Vice President of Smart & Final format Store Operations for Smart & Final Stores in September 2006. From June 1999 to September 2006, he was Senior Vice President of Buying for Smart & Final Stores. From 1998 to June 1999, he was Vice President of Buying. Mr. Snee joined us after 26 years with Ralphs Grocery Company where he served as a vice president in charge of various buying departments, and held management positions in accounting, distribution and operations.

Jeff D. Whynot. Mr. Whynot was named our Senior Vice President of Human Resources and Administration in September 2006, with responsibility for human resources and corporate administrative duties. In January 2000, Mr. Whynot was appointed Senior Vice President of Human Resources for Smart & Final Stores and in February 2003 he was appointed Senior Vice President of Human Resources for Smart & Final Inc. From 1998 to 2000, Mr. Whynot was the Vice President of Human Resources for Dames & Moore Group, an engineering consulting firm. From 1984 to 1998, Mr. Whynot worked in various capacities for Knott's Berry Farm. During the last five years of his employment with Knott's Berry Farm, Mr. Whynot served as the Vice President of Human Resources.

John M. Willis. Mr. Willis was named Senior Vice President of Smart Foodservice Operations for Smart & Final Stores in September 2006, with responsibility for our Cash & Carry stores. He joined us in July 1998 as President of our United Grocers Cash & Carry division, upon the completion of our acquisition of this division from United Grocers, Inc. During 2004, Mr. Willis was added to our executive committee. From 1968 to 1998, prior to joining the Company, Mr. Willis was employed in various positions with United Grocers, Inc. From 1987 to 1998, Mr. Willis was the President of United Grocers Cash & Carry Foodservice division and from 1997 to 1998, he was the President of United Grocers, Inc.'s Creative Process, a full service print and design company.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, or Exchange Act, requires our directors, executive officers and beneficial holders of more than 10% of a registered class of our equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and our other equity securities. Directors, executive officers and greater than 10% stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) reports they file. Based solely on our review of the copies of such forms received by us, or written representation from certain reporting persons that no Form 5's were required for those persons, we believe that all reporting requirements under Section 16(a) of the Exchange Act for the fiscal year ended December 31, 2006 were met in a timely manner by our directors, executive officers and greater than 10% stockholders.

CORPORATE GOVERNANCE

Code of Ethics and Governance Guidelines

We have in place long-standing policies and practices of good corporate governance. During fiscal 2004, our Board adopted Guidelines for Corporate Governance that outline the responsibilities of the Board, as well as qualifications for directors to serve on the Board. We have a Code of Ethics that was last amended in May 2004 to ensure compliance with the Sarbanes-Oxley Act of 2002 and the listing standards of the NYSE. Our Code of Ethics applies to our Chief Executive Officer, our Chief Financial Officer, our Chief Accounting Officer, and to our other employees. The rules promulgated under the Sarbanes-Oxley Act of 2002 regarding codes of conduct for senior financial officers are met by our Code of Ethics. All of our corporate governance materials, including our Code of Ethics, our Guidelines for Corporate Governance and all of our committee charters are available for public viewing on our Internet web site at <http://www.smartandfinal.com/corporate/index.html>, under the Governance tab and the

Table of Contents

Governance Documents tab. Amendments and waivers, if any, to the Code of Ethics will be disclosed on this website. In addition, interested persons can obtain a copy of any of these materials by writing to: Corporate Secretary, Smart & Final Inc., 600 Citadel Drive, Commerce, California 90040. Our Board has reviewed and will continue to evaluate its role and responsibilities with respect to the new legislative and other governance requirements.

Director Independence and Controlled Company Exemption

Our Board is composed of eight directors, three of whom are independent under the NYSE listing standards. Our Chief Executive Officer is the only member of management currently serving as a director. For purposes of determining independence, we have adopted the following standards for director independence in compliance with the listing standards of the NYSE:

No director qualifies as independent unless the Board affirmatively determines that the director has no material relationship with us or any of our subsidiaries (directly or as a partner, stockholder or officer of an organization that has a significant relationship with us or any of our subsidiaries);

A director who is an employee or whose immediate family member is an executive officer of the Company or any of our subsidiaries is not independent until three years after the end of such employment relationship;

A director who receives, or whose immediate family member receives, more than \$120,000 per year in direct compensation from us or any of our subsidiaries, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent until three years after he or she ceases to receive more than \$120,000 per year in such compensation;

A director who is affiliated with or employed by, or whose immediate family member is affiliated with or employed in a professional capacity by, Ernst & Young LLP, our present external auditor, or a present or former internal auditor of the Company or any of our subsidiaries is not independent until three years after the end of the affiliation or the employment or auditing relationship;

A director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of our present executives or any of our subsidiaries' present executives serve on that company's compensation committee is not independent until three years after the end of such service or employment relationship;

A director who is an executive officer or an employee, or whose immediate family member is an executive officer of a company that directly or indirectly makes payments to, or receives payments from, us or any of our subsidiaries for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues, is not independent until three years after falling below such threshold; and

A director who is an employee or representative of a significant supplier of any Company business unit or legal entity is not independent unless we entered into our relationship with the supplier as a result of competitive purchasing practices.

Our Board determined that Messrs. Crull, Meyers and Watson meet the aforementioned independence standards. When Mr. Meyers was first considered as a nominee to stand for election to our Board, the Corporate

Table of Contents

Governance Committee reviewed his qualifications as an independent director. Mr. Meyers is the Chief Financial Officer of Del Monte Foods and we make purchases in excess of \$1,000,000 from Del Monte, however, our purchases do not exceed 2% of Del Monte Foods' gross revenues. The Corporate Governance Committee determined that the amount of business transacted between the Company and Del Monte Foods was immaterial in amount both to Smart & Final and Del Monte Foods. Thus, Mr. Meyers qualified as an independent director for our Board.

Our Board also determined that Messrs. Aouani, Bourgeron, Ornstein, Roeder and Snollaerts do not meet the aforementioned independence standards. Messrs. Aouani and Bourgeron do not meet the independence standards because they are employees of Groupe Casino. Mr. Ornstein does not meet the independence standards because he is a director of Euris, which indirectly owns a controlling interest in Groupe Casino. (For a further discussion of Groupe Casino and its relationship to us, see Compensation Committee Interlocks and Insider Participation *Relationship between Smart & Final Inc. and Casino USA*, page 48 below.) Mr. Roeder does not meet the aforementioned independence standards because he served as our senior advisor from May 2004 to May 2005 and received a salary of \$350,000 for that year. From May 2005 to the present, Mr. Roeder had received compensation from the Company as part of his consulting agreement which is discussed under Director Compensation, *Roeder Consulting Agreement*, page 45 below. Mr. Snollaerts does not meet the independence standards because he is our current Chief Executive Officer.

Section 303A.00 of the NYSE listing standards, to which we are subject, defines a *Controlled Company* as a company of which more than 50% of the voting power is held by an individual, a group or another company. We are a *Controlled Company* because 54.9% of our common stock is owned by Groupe Casino the majority of our stock is held through Groupe Casino's wholly owned subsidiary Casino USA, Inc., or Casino USA. As a *Controlled Company*, we are exempt from the NYSE requirement that we have a majority of independent directors, and from the requirements that our Corporate Governance Committee and Compensation Committee be composed entirely of independent directors. Pursuant to such exemption, our Board does not consist of a majority of independent directors, and our Corporate Governance and Compensation Committees are not composed solely of independent directors.

Committees of the Board and Attendance at Meetings

We have established three standing committees of our Board: an Audit Committee, a Compensation Committee and a Corporate Governance Committee. Each of these committees reports to the full Board and the activities of each committee are therefore generally subject to the approval of the Board. During our fiscal year ended December 31, 2006, our Board appointed a Selection Committee for the purpose of choosing an advisor to assist us in reviewing our strategic alternatives. The Board thereafter established a Transaction Committee, for the purpose of facilitating the exploration of our strategic alternatives.

Audit Committee

The Audit Committee is currently comprised of Messrs. Meyers (as Chairman), Crull and Watson. At the May 2006 meeting of the Board, Mr. Meyers was appointed as the Chairman of our Audit Committee. The Audit Committee operates under a written charter adopted by our Board. In February 2006, our Board re-examined the Audit Committee's composition and confirmed that all members of the Audit Committee are independent within the meaning of the NYSE listing standards. In addition, the Board determined that Mr. Meyers, the Chairman of our Audit Committee, meets the Securities and Exchange Commission's (SEC) definition of an audit committee financial expert and that both Messrs. Crull and Watson have been determined to be financially literate. During our fiscal year ended December 31, 2006, there were four in-person meetings and three telephonic meetings of the Audit Committee.

Table of Contents

Corporate Governance Committee

The Corporate Governance Committee is currently comprised of Messrs. Roeder (as Chairman), Aouani, Snollaerts and Watson. The Corporate Governance Committee operates under a written charter adopted by our Board. Of the current members of the Corporate Governance Committee, only Mr. Watson is independent within the meaning of the NYSE listing standards. However, because we are a Controlled Company under the NYSE listing standards, our Corporate Governance Committee is not subject to the independence requirements set forth in the NYSE listing standards. (For a further discussion regarding the independence standards to which we are subject, see *Corporate Governance Director Independence and Controlled Company Exemption* above.) During our fiscal year ended December 31, 2006, there were three in-person meetings of the Corporate Governance Committee.

Compensation Committee

The Compensation Committee is currently comprised of Messrs. Crull (as Chairman), Bourgeron, Meyers and Roeder. The Compensation Committee operates under a written charter adopted by our Board. Messrs. Crull and Meyers are independent directors and Messrs. Bourgeron and Roeder are not independent directors. However, because we are a Controlled Company under the NYSE listing standards, we are not required to have a Compensation Committee composed entirely of independent directors. (For a further discussion regarding the independence standards to which we are subject, see *Corporate Governance Director Independence and Controlled Company Exemption* above.) During our fiscal year ended December 31, 2006, there were five in-person meetings and one telephonic meeting of the Compensation Committee.

Board Attendance

During our fiscal year ended December 31, 2006, our Board held four in-person meetings and two telephonic meetings. Each director attended at least 80% of the aggregate of (a) the total number of meetings of the Board and (b) the total number of committee meetings held by all committees of the Board on which such director served. We also encourage our directors to attend the Annual Meeting of Stockholders. At the 2006 Annual Meeting held in May, all eight of our directors standing for election to our Board were in attendance.

Executive Sessions of Non-Management Directors

Our non-management directors meet regularly in executive sessions as required under the NYSE listing standards. Such meetings are calendared after all regularly scheduled meetings of the Board, and otherwise as needed. These meetings generally conclude with a discussion with our Chief Executive Officer, Mr. Snollaerts. The director designated to preside over such meetings is the Chairman of our Audit Committee.

Special Committees of the Board

In March 2006, our Board appointed a Selection Committee for the purpose of interviewing potential financial advisory firms to advise us regarding our strategic alternatives, and to recommend a financial advisor to the Board. The Selection Committee was formed following Groupe Casino's public announcement that it intended to sell a significant portion of its non-core assets by the end of 2007. The Selection Committee was comprised of Messrs. Aouani, Roeder, Snollaerts and Watson, with Mr. Watson serving as chairman. The Selection Committee held one in-person meeting and two telephonic meetings. On April 11, 2006 the Board approved the recommendation of the Selection Committee to retain Goldman Sachs & Co. as our financial advisor, and an engagement letter with Goldman Sachs & Co. was executed by us on April 11, 2006. Following these actions the Selection Committee was disbanded. Thereafter, the Board established a Transaction Committee for the purpose

Table of Contents

of facilitating the exploration of the Company's strategic alternatives. The Transaction Committee consists of Messrs. Roeder and Aouani, who are not considered independent directors, together with Messrs. Watson and Meyers, who are both independent directors (Mr. Meyers attended a number of Selection and Transaction Committee meetings as an observer until his election as a director on May 17, 2006). Mr. Watson was designated chairman of the Transaction Committee. During our fiscal year ended December 31, 2006, the Transaction Committee held one in-person meeting and 21 telephonic meetings.

Communications with the Board of Directors

Any stockholder or other interested party who wishes to communicate with members of the Board, including the independent directors individually or as a group, may send correspondence to them in care of Corporate Secretary, Smart & Final Inc., 600 Citadel Drive, Commerce, California 90040. A majority of our independent directors approved the process whereby all stockholders' and interested parties' communications to the Board are sent directly to our Corporate Secretary; our Corporate Secretary in turn forwards these communications to the Chairman of the Audit Committee. During 2006, no such communications were received.

Report of the Audit Committee

The Audit Committee adopted a written charter in April 2001. The Audit Committee Charter has been approved by our Board and complies with the requirements of the SEC and the NYSE listing standards. The Audit Committee will, at least on an annual basis, review and assess the Audit Committee Charter to ensure continued compliance with these requirements. The Audit Committee Charter is also available for public viewing on our Internet website at <http://www.smartandfinal.com/corporate/index.html>, under the Governance tab and then the Governance Documents tab. In addition, interested persons can obtain a copy of the Audit Committee Charter by writing to: Corporate Secretary, Smart & Final Inc., 600 Citadel Drive, Commerce, California 90040.

The functions of the Audit Committee include, among other things:

Assisting the Board in its oversight of our financial reporting process, and our assessment, evaluation and reporting on the effectiveness of our internal control over financial reporting pursuant to the requirements of Section 404 of the Sarbanes-Oxley Act of 2002;

Assisting the Board in its oversight of our compliance with our ethics policies and legal and regulatory requirements;

Retention of the independent auditor and approval of auditor fees;

Reviewing with our independent auditor the scope and planning of the annual examination of our consolidated financial statements and internal control over financial reporting;

Reviewing our audited consolidated financial statements and reports on internal control over financial reporting with management and our independent auditor;

Reviewing the findings and recommendations of our independent and internal auditors, and management's response to the recommendations of our auditors;

Assisting the Board in its oversight of the independence and performance of our internal and independent auditors;

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Assessing the annual performance of the Audit Committee; and

Preparation of the Audit Committee Report.

Table of Contents

During our fiscal year ended December 31, 2006, our Board examined the Audit Committee's composition and confirmed that each member of the Audit Committee is an independent director as defined by the NYSE listing standards, the SEC's independence requirements, and the Company's Governance Guidelines. In addition, our Board has determined that all members of the Audit Committee are financially literate and that Mr. Meyers, the current Chairman of the Audit Committee, is a financial expert, as defined by the SEC's rules and the NYSE listing standards.

The Audit Committee has reviewed and discussed with management of the Company and Ernst & Young LLP, or E&Y, the Company's independent registered public accounting firm, the audited consolidated financial statements of the Company as of December 31, 2006 and for the fiscal year then ended (the Audited Financial Statements). The Audit Committee has also reviewed and discussed with management of the Company and E&Y: (i) management's report on internal control over financial reporting as of December 31, 2006; and (ii) E&Y's audit report on management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2006. In addition, the Audit Committee has discussed with E&Y the matters required to be discussed under auditing standards of the Public Company Accounting Oversight Board (United States), including the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (*Communication with Audit Committees; Codification of Statements on Auditing Standards AU § 380*).

The Audit Committee received and reviewed the written disclosures and the letter from E&Y required by Independence Standards Board Standard No. 1 (*Independence Discussions with Audit Committees*). The Audit Committee has discussed with E&Y its independence from the Company. The Audit Committee additionally discussed with management of the Company and E&Y such other matters and received such assurances from them as it deemed appropriate.

The Audit Committee meets regularly with the internal auditors and the independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting.

Management is responsible for the Company's internal controls and the financial reporting process. The Audit Committee has reviewed the Company's programs aimed at strengthening the effectiveness of the Company's internal audit and disclosure control structure. The Audit Committee monitors the scope and adequacy of the Company's internal auditing program, reviewing staffing levels and steps taken to implement improvements to internal procedures and controls. Management is responsible for performing an assessment and evaluation of the Company's internal control over financial reporting and issuing a report on the effectiveness thereof. E&Y is responsible for performing an independent audit of the Company's financial statements and internal control over financial reporting in accordance with generally accepted auditing standards of the United States and issuing reports thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

Based on the above-described reviews and discussions and a review of the report of E&Y with respect to the Audited Financial Statements, and relying thereon, the Audit Committee recommended to our Board the inclusion of the Audited Financial Statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

AUDIT COMMITTEE

David L. Meyers, Chairman

Timm F. Crull

Stephen J. Watson

Table of Contents

Report of the Corporate Governance Committee

The Corporate Governance Committee adopted a written charter, which was amended in February 2004 and reviewed and approved by the Corporate Governance Committee in February 2006; the Corporate Governance Committee Charter is in compliance with the requirements of the Sarbanes-Oxley Act of 2002 and NYSE listing standards. The Corporate Governance Committee Charter is available for public viewing, on our Internet web site at <http://www.smartandfinal.com/corporate/index.html>, under the Governance tab and then the Governance Documents tab. In addition, interested persons can obtain a copy of the Corporate Governance Committee Charter by writing to: Corporate Secretary, Smart & Final Inc., 600 Citadel Drive, Commerce, California 90040.

Because we have elected to be treated as a Controlled Company, our Corporate Governance Committee is not subject to the independence requirements set forth in the NYSE listing standards. Section 303A.00 of the NYSE listing standards defines a Controlled Company as a company of which more than 50% of the voting power is held by an individual, a group or another company. We are a Controlled Company because 54.9% of our common stock is owned by Groupe Casino. As a Controlled Company, we are exempt from the NYSE requirement that we have a majority of independent directors, and from the requirement that the Corporate Governance Committee be composed entirely of independent directors. Pursuant to such exemption, the Corporate Governance Committee is not composed solely of independent directors.

The functions of the Corporate Governance Committee include, among other things:

Seeking out, evaluating and recommending to our Board qualified candidates for nomination as directors on our Board;

Considering other matters pertaining to the size and composition of our Board and its committees;

Giving appropriate consideration to qualified individuals recommended by stockholders for nomination as directors, provided that such recommendations are accompanied by information sufficient to enable the Corporate Governance Committee to evaluate the qualifications of such individuals;

Responsibility for developing and recommending to our Board the corporate governance principles under which we operate; and

Making awards under our 2005 Non-Employee Director Stock Plan to members of the Board.

In considering individuals for nomination as directors, the Corporate Governance Committee typically solicits recommendations from its current directors and is authorized to engage third-party advisors, including search firms, to assist in the identification and evaluation of candidates. Mr. Pascal Announ, a director elected in 2005 and an employee of Groupe Casino submitted a letter of resignation in February 2006, subject to his replacement being named at the next meeting of the Board. Representatives of Groupe Casino nominated Mr. L. Hakim Aouani to fill the seat vacated by Mr. Announ. Mr. Aouani was interviewed by Mr. Snollaerts, to whom the task was delegated, and Mr. Aouani was recommended to the Board by the Corporate Governance Committee and approved by the Board at the meeting on February 22, 2006.

In evaluating potential candidates, the Corporate Governance Committee may consider such factors as it deems appropriate. These factors may include judgment, skill, diversity, integrity, experience with businesses and other organizations of comparable size, the interplay of the candidate's experience with the experience of other members of the Board and the extent to which the candidate would be a desirable addition to the Board

Table of Contents

and any committees of the Board. While the Corporate Governance Committee has not established any specific minimum qualifications for director nominees, the Corporate Governance Committee believes that demonstrated leadership, as well as significant years of service, in an area of endeavor such as business, law, public service, related industry or academia, is a desirable qualification for service as a director of the Company.

Any stockholder may make recommendations to the Corporate Governance Committee for membership on our Board by sending a written statement of the qualifications of the recommended individual to: Corporate Secretary, Smart & Final Inc., 600 Citadel Drive, Commerce, California 90040. Such recommendations should be received no later than 60 days before the anniversary of the previous year's Annual Meeting of Stockholders, nor no earlier than 90 days before the anniversary of the previous year's Annual Meeting of Stockholders. Our Annual Meeting of Stockholders was held on May 17, 2006 and as of March 18, 2007, 60 days prior to the anniversary of last year's annual meeting, no recommendations for membership on our Board have been received by the Corporate Secretary.

In accordance with Article III, Section 2 of our Amended and Restated Bylaws, certain criteria must be included with the stockholder's notice. Our Amended and Restated Bylaws were attached as Appendix B to our Proxy Statement filed with the SEC on April 16, 2004 and may be accessed through our Internet web site at <http://www.smartandfinal.com/corporate/index.html>, under the SEC tab. The Corporate Governance Committee will evaluate candidates recommended by stockholders on the same basis as it evaluates other candidates, including the following criteria:

Directors should be of the highest ethical character and share values that reflect positively on themselves and the Company;

Directors should have reputations, both personal and professional, consistent with the image and reputation of the Company; and

Directors should be highly accomplished in their respective fields, with superior credentials and recognition.

The fact that a proposed director nominee meets all of the above criteria will not obligate the Corporate Governance Committee to recommend the candidate to our Board, and will not obligate the Board to nominate or recommend the candidate for director in our proxy materials.

CORPORATE GOVERNANCE COMMITTEE

Ross E. Roeder, Chairman

L. Hakim Aouani

Etienne Snollaerts

Stephen E. Watson

Compensation Committee

Role of the Compensation Committee. The Compensation Committee operates under a written charter adopted by our Board. The Compensation Committee Charter complies with the requirements of the SEC and the NYSE listing standards. The Compensation Committee Charter was reviewed and reassessed by the Compensation Committee in February 2006 and found to be in compliance with these requirements. The Compensation Committee Charter is available for public viewing on our Internet web site at <http://www.smartandfinal.com/corporate/index.html>, under the Governance tab and then the Governance Documents tab. In addition, interested persons can obtain a copy of the Compensation Committee Charter by writing to: Corporate Secretary, Smart & Final Inc., 600 Citadel Drive, Commerce, California 90040.

Table of Contents

Because we have elected to be treated as a Controlled Company, our Compensation Committee is not subject to the independence requirements set forth in the NYSE listing standards. Section 303A.00 of the NYSE listing standards defines a Controlled Company as a company of which more than 50% of the voting power is held by an individual, a group or another company. We are a Controlled Company because 54.9% of our common stock is owned by Groupe Casino. As a Controlled Company, we are exempt from the NYSE requirement that we have a majority of independent directors, and from the requirement that the Compensation Committee be composed entirely of independent directors. Pursuant to such exemption, the Compensation Committee is not composed solely of independent directors.

The functions of the Compensation Committee include, among other things:

Approving salary practices and base salary amounts for our executive personnel;

Approving the structure of and determining awards under the annual incentive bonus plan for our executive officers and under our Long-Term Equity Compensation Plan; and

Approving the strategy and structure of our other employee plans and benefits, and establishing base salary and incentive compensation for our Chief Executive Officer.

Item 11. Executive Compensation

Compensation Discussion and Analysis

Overview of Compensation Program. The Compensation Committee is responsible for establishing, implementing and monitoring management's adherence to our compensation philosophy. The Compensation Committee oversees the compensation that is paid to our executive officers to ensure that their compensation is fair, reasonable and competitive.

Compensation Philosophy and Objectives. The Compensation Committee's basic philosophy is to provide competitive levels of compensation to motivate, retain and attract management. This philosophy includes providing incentives linked to our financial performance, enhanced stockholder value and personal performance. This philosophy applies to compensation for all of our executive officers. The Compensation Committee reviews both the performance and compensation of the executive officers to ensure that we maintain our ability to attract and retain superior employees in key positions and to ensure that those key employees' compensation is competitive with similarly situated companies in our industry. Generally, compensation for our executive officers, including our Chief Executive Officer, Chief Financial Officer and our other executive officers, consists of a base salary, an annual incentive bonus and an opportunity to receive stock options, stock appreciation rights or other retention and performance-based compensation under our Long-Term Equity Compensation Plan. Our Chief Executive Officer, Chief Financial Officer and the other executives listed in the Summary Compensation Table on page 21 below are referred to throughout this Form 10-K/A as our Named Executive Officers.

Compensation Review. The Compensation Committee establishes compensation for all our executive officers including salary, bonus and equity awards. Our Chief Executive Officer and our Senior Vice President of Human Resources and Administration annually review the performance of each member of our executive officer group (other than the Chief Executive Officer whose performance is reviewed by the Compensation Committee). The conclusions and recommendations reached by our Chief Executive Officer and our Senior Vice President of Human Resources and Administration are then presented to the Compensation Committee for their approval. The Compensation Committee may, in its discretion, change or amend the recommendations regarding the salary,

Table of Contents

bonus and/or equity awards to our executive officers. All decisions regarding the salary, bonus and equity awards paid to our non-executive officers are determined by our Chief Executive Officer and our Senior Vice President of Human Resources and Administration.

Determining Executive Compensation

Based on our compensation philosophy and objectives as discussed above, the Compensation Committee structured our compensation program (including annual and long-term incentive based cash and equity compensation) to motivate our officers to achieve our business goals and also to reward and retain our officers for achieving these goals. The elements of our compensation program are base salary, annual incentive bonus, long-term equity compensation, retirement, perquisites and other benefits which are discussed in further detail below. In order to make sure that our compensation program is aligned with our compensation philosophy and objectives, we have retained Towers Perrin, an human resources consulting firm, to conduct regular reviews of our total compensation program for our Chief Executive Officer and our other Named Executive Officers. Towers Perrin provides the Compensation Committee with relevant market data and alternatives to consider in making the compensation recommendations for our Chief Executive Officer and also provides relevant data to our Chief Executive Officer and Senior Vice President of Human Resources and Administration for their recommendations regarding the compensation of our other Named Executive Officers.

The Compensation Committee compares each element of total compensation to a peer group of both publicly traded and privately held companies in the retail and wholesale food distribution business, including Kroger, Costco, Super Valu, Office Depot, BJ's Wholesale Club, Big Lots, Shopko Stores, Pier 1 Imports, Whole Foods and Cost Plus. Throughout this discussion, this comparison peer group is referred to as the Compensation Peer Group. The Compensation Peer Group is regularly reviewed and updated by the Compensation Committee in discussions with consulting firms, such as Towers Perrin. The companies included in the Compensation Peer Group include companies which the Compensation Committee believes are competitors of ours and with which we compete for executive talent and stockholder investment. The current composition of the Compensation Peer Group includes 33 companies in the retail and the wholesale food distribution business. Relevant market data is derived through a review of proxy statements, if available, for companies within the Compensation Peer Group, as well as executive compensation survey information for relevant sectors and positions.

Our annual revenues are below the average or median revenues of the Compensation Peer Group. Because the size of the companies in the Compensation Peer Group varies widely, we normalize each company's results to adjust the compensation data for differences in the companies' revenues. The adjusted value for each of the companies in the Compensation Peer Group is used as the basis for comparing the peer companies' compensation to our compensation. We compete with other national retailers for our top executive positions. Thus, the Compensation Committee has set the executive compensation target in the top 50th percentile for base salary and 75th percentile for annual incentive bonus and between the top 50th and 75th percentile for equity grants of compensation paid to similar executive positions by companies in the Compensation Peer Group. Variations of any individual executive's compensation may occur based on that individual executive's experience level, annual performance and other market factors. It is the Compensation Committee's goal to keep our executive compensation within this stated range of our Compensation Peer Group with the expectation and belief that we will be able to attract and retain a better management team which will continue to generate greater stockholder equity growth than the companies in our Compensation Peer Group.

The Compensation Committee, based upon the analysis obtained from consulting firms such as Towers Perrin, establishes a target for the allocation of total compensation between cash and non-cash compensation and short-term and long-term incentive compensation. The executive compensation philosophy is to consider total annual compensation as base salary, annual bonus and long-term equity. For the CEO, base

Table of Contents

salary represents about 25% of the total annual compensation, making 75% of total annual compensation variable and at risk. Of the pay at risk, the annual bonus represents about 25% of total annual compensation and the long-term incentive represents about 50%. Historically, the annual value of CEO total annual compensation has ranged from 25% payment, in years of no bonus and below market stock, to over 100% when financial targets have exceeded budget and stock prices increased. For the other Named Executive Officers, base salary is close to 50% of the total annual compensation, making about 50% variable and at risk. Of the pay at risk, the annual bonus represents about another 25% and the long-term incentive represents about 25%. Historically, the annual value of total compensation for other named executive officers has ranged from 50%, base salary only, to over 100% when financial targets have exceeded budget and stock prices increased.

Elements of Executive Compensation

For our fiscal 2006, the main elements of executive compensation for our Named Executive Officers included: base salary, incentive bonus, long-term equity compensation, retirement, perquisites and other benefits. The following discussion of these elements should be read in conjunction with other information presented in this Form 10-K/A about the compensation earned by our Named Executive Officers.

Base Salary. Our base salaries are intended to compensate our Named Executive Officers and other employees for their services rendered during the fiscal year. Each Named Executive Officer's base salary

Table of Contents

range is calculated based on his or her position and responsibility by using market data such as published industry surveys and proxy statements of companies within our Compensation Peer Group. Base salary and annual increases in the base salary of each of our Named Executive Officers are determined in accordance with the Compensation Committee's policy of maintaining competitive salary levels with our Compensation Peer Group (as discussed above), individual job performance, and, where appropriate, the economic conditions in which we are operating.

In reviewing base salaries for our executives, our Chief Executive Officer in conjunction with our Senior Vice President of Human Resources and Administration consider the following: (a) market information provided by outside consultants (such as Towers Perrin); (b) internal examination and review of each executive's compensation both individually and in comparison to our other executive officers; and (c) the individual performance of each executive during the fiscal year, considering overall job performance and whether that individual met or exceeded any established goals or targets. Our Chief Executive Officer rates the overall performance of each Named Executive Officer, and then determines a pay increase using our overall merit guidelines that considers both individual performance and actual compensation compared to market. The most important factor considered by the Compensation Committee in determining the base salary for our Chief Executive Officer, as well as by our Chief Executive Officer and the Senior Vice President of Human Resources and Administration for determining the base salaries for our other Named Executive Officers, is the individual's job performance during the fiscal year being reviewed. Each Named Executive Officer's salary is reviewed annually as part of our overall performance review process and also upon a promotion or other change in an individual's job responsibilities. It is the policy of the Compensation Committee to review and approve or modify (at its discretion) the base salary recommendations for each of the Named Executive Officers.

The Compensation Committee considers the same criteria in determining the base salary for our Chief Executive Officer and has the sole responsibility to determine the compensation of our Chief Executive Officer. The Compensation Committee has established a formal process for evaluating the Chief Executive Officer's performance. This process generally begins at the last scheduled Compensation Committee meeting of the fiscal year. This meeting is typically held in late November or early December. In 2006, for the 2005 performance year, each Board member completed a performance evaluation of the Chief Executive Officer, which was collected by an outside consultant and consolidated results were provided to the Compensation Committee. In addition, the Chief Executive Officer completed a self evaluation. The Compensation Committee determined the overall evaluation and merit increase, and met with the Chief Executive Officer to provide feedback from the Board. Due to the strategic alternatives being considered by the Board in 2006 and the subsequent merger agreement entered into between the Company and affiliates of Apollo Management, L.P. as of February 20, 2007, the Compensation Committee decided to defer the formal evaluation process for 2006 to a later date, if needed. The Compensation Committee did meet and discuss the Chief Executive Officer's performance and established a merit adjustment.

The Chief Executive Officer and the Senior Vice President of Human Resources and Administration meet at the beginning of each fiscal year and discuss the performances of each of our executive officers (including our Named Executive Officers) for the past fiscal year. The evaluation of our Senior Vice President of Human Resources and Administration is handled solely by our Chief Executive Officer. For the fiscal year ended December 31, 2006, each Named Executive Officer's base salary was increased an average of 5.6% ranging from 2.4% to 13.3% consistent with the Compensation Committee's policy objectives, and were consistent with the median levels among comparison companies in the Compensation Peer Group.

Annual Incentive Bonus. The Compensation Committee believes that the Annual Incentive Bonus Plan is an integral part of the overall compensation package offered to our Named Executive Officers. Annual bonus levels are determined in accordance with the Compensation Committee's policy of maintaining competitive compensation with our Compensation Peer Group (as discussed above), individual job performance where appropriate and the economic conditions in which we are operating. The Compensation Committee

Table of Contents

reviews and approves bonus amounts for each of our Named Executive Officers (other than the Chief Executive Officer) as recommended by our Chief Executive Officer and our Senior Vice President of Human Resources and Administration. The Compensation Committee also determines the bonus amount for the Chief Executive Officer, consistent with the terms of his employment agreement. (See *Snollaerts Employment Agreement* discussion on page 22 below.) Since 2000, our Compensation Committee has linked the annual incentive bonus plan to specific financial objectives as a means of encouraging improvements in financial performance. These objectives include our total financial performance, which is the only objective for determining the annual incentive bonus awarded to our Chief Executive Officer, the performance of particular operating units and other performance criteria applicable to each executive's responsibilities. The objectives may also include individual targets to help reach certain tactical objectives. In fiscal 2006, we determined that the annual incentive bonus target for our Named Executive Officers (other than our Chief Executive Officer, see *Snollaerts Employment Agreement* discussion on page 22 below) would range from 50% of base salary to 60% of base salary.

For each individual Named Executive Officer (other than our Chief Executive Officer) 50% to 70% of the annual incentive bonus was based upon the Company meeting certain financial objectives as determined by our aggregate earnings per share, or EPS, (for our Chief Financial Officer) or pre-tax profit (for our other Named Executive Officers) for fiscal 2006. The remaining 30% to 50% of each individual Named Executive Officer's (other than our Chief Executive Officer's) annual incentive bonus was based upon their respective individual scorecard as determined by our Chief Executive Officer, in conjunction with our Senior Vice President of Human Resources and Administration. The Chief Executive Officer's annual incentive bonus was based solely upon the Company meeting a certain aggregate EPS for fiscal 2006.

In February of each year, the Compensation Committee sets minimum, target and maximum levels for each of the financial objectives described above. In fiscal 2006, for our Named Executive Officers, the annual incentive bonus was determined by that individual's minimum target and maximum bonus target percentage multiplied by their 2006 salary. Payments of annual incentive bonuses are based upon the achievement levels for the fiscal year as follows:

No payment of an annual incentive bonus unless 75% of the Company's EPS, objective is reached for the fiscal year;

A payment of 50% to 100% of the annual incentive bonus award if 80% to 100% of the Company's financial targets are met;

A payment of 101% to 200% of the annual incentive bonus award if the Company exceeds the target financial objectives by 101% to 130% or greater.

Part of the Named Executive Officer's annual incentive bonus may be pursuant to their individual scorecard performance, which is based upon their achievement of specific objectives. However, the Company must at least achieve a threshold of 75% of its EPS target for the individual executive to be eligible for the scorecard portion of their annual bonus.

In February of the following fiscal year, the Compensation Committee assesses our performance for each of the financial objectives described above, and compares the actual results to the established minimum, target and maximum financial objectives.

Over the past five years, we have achieved financial performance in excess of our target levels two times, met our financial performance target one time and have failed to meet our minimum performance level two times including fiscal 2006. Therefore, over the past five years, the payout of our annual incentive bonus has ranged from 0% of the annual incentive bonus award (when we failed to meet our minimum EPS objective) to 130% of the annual incentive bonus award when we exceeded our maximum financial objectives. The

Table of Contents

Compensation Committee sets the minimum, target and maximum level of our financial objectives so that the level of difficulty in achieving these financial objectives is consistent from year to year, and determined by annual and long-term financial plans.

Pursuant to the criteria discussed above, the Named Executive Officers received the following annual incentive bonuses paid in 2006 in recognition of their contribution to our performance during fiscal 2005: Etienne Snollaerts, \$350,000; Andre Delolmo, \$120,000; Richard N. Phegley, \$87,000; Norah Morley, \$90,000; Donald G. Alvarado, \$70,000; and Zeke Duge, \$60,000. No annual incentive bonus awards were made to our Named Executive Officers for their services in fiscal 2006 (and paid to them in 2007) as the Company's financial performance was below 80% resulting in no payments of the financial part of the annual incentive bonus. Since EPS was below the 75% threshold, no individual scorecard payments were earned for 2006 performance.

Long-Term Equity Compensation. Under guidelines set by the Compensation Committee, equity incentives constitute a greater portion of executives' potential long-term incentive compensation, and cash bonuses the greater portion of executives' annual incentive compensation. The equity incentives take longer to earn (through time-based and performance-based vesting provisions) and offer increased value to executives as the share price increases. Accordingly, equity incentives are useful to the Company to promote retention and motivate the executives to increase the Company's share price through their efforts. Our equity incentives take the form of stock-based awards granted under our Long-Term Equity Compensation Plan, and prior to its expiration in June 2001, granted under the Stock Incentive Plan. The primary objectives of these plans, and of awards granted under the plans, are to optimize our profitability and growth. These incentives are designed to be consistent with our business goals, and to link the personal interests of plan participants to those of our stockholders.

We regularly grant equity compensation awards to our executives at the first Board meeting of the new fiscal year, typically in February. At its meeting on February 21, 2006, the Compensation Committee recommended, and the Board approved, grants of stock appreciation rights, or SARs, and also grants of restricted stock to each of our Named Executive Officers. (See Grants of Plan-Based Awards for 2006 on page 23, below.) All of these grants were made under our Long-Term Equity Compensation Plan. In addition, the Board also approved grants of restricted stock for our Named Executive Officers at the Board's May 16, 2006 meeting. The Board had intended to approve a new performance share program and issue grants of restricted stock at the May meeting pursuant to this new program, but the program was not implemented. The proposed program was not implemented because of the Company's announcement that it would be pursuing its strategic alternatives. Instead, the shares originally intended to be awarded as part of the new performance based equity incentive program were issued as restricted stock with time based vesting.

The value and/or exercise price of all equity awards granted by us is determined by the closing price of our stock on the date of the grant, as reported on the New York Stock Exchange. If a grant of stock is made on a day when the market is closed, then we use the previous day's closing price for the valuation. This has consistently been the Company's policy regarding the valuation of equity awards. Our stock appreciation rights and our stock option awards, including those granted to Named Executive Officers in 2006, generally have a four-year step vesting, with one-third vesting on the second anniversary of the grant date, another one-third vesting on the third anniversary and the final one-third vesting on the fourth anniversary. Our restricted stock awards, including those granted to Named Executive Officers in 2006, generally have a three-year cliff vesting. However, in the past, we have granted restricted stock awards that could have received accelerated vesting upon the Company's share price reaching a specified level (typically 150% of the grant price).

Retirement, Perquisites and Other Benefits. We provide certain health, welfare and pension benefits to the Company's executive officers that are also generally available to all of our full-time employees, including a 401 (k) plan and a defined benefit pension plan. In addition, we provide certain other benefits to our executive

Table of Contents

officers which are not generally available to all of our full-time employees including, depending upon the executive officer, reimbursement of tax preparation and/or financial planning expenses, club dues, moving expenses, car allowances, a supplemental executive retirement plan, deferred compensation plan, executive severance plan, additional life insurance benefits, long-term disability plans and executive medical coverage.

We choose to provide a defined benefit pension plan and a 401(k) plan for all of our employees in support of our Company policy of attracting and retaining employees, which is consistent with our overall compensation objective to provide our employees with benefits that are competitive and consistent with our peer group of retail grocery stores and wholesale food distribution businesses. For our executive officers we provide a supplemental executive retirement plan, financial planning reimbursement, automobile allowance program, and supplemental health and welfare benefits. We maintain these executive benefits to help recruit and retain executives and find these programs effective in that regard. These benefits provide an appropriate complement to the compensation risks of variable annual and long-term incentives that are provided to motivate, incent and recognize performance.

Other Matters

The Compensation Committee has reviewed the compensation plans with regard to the deductibility limitation contained in Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code. The Compensation Committee has decided at present not to alter the compensation plans to comply with the deductibility requirements of Section 162(m) of the Code. The Compensation Committee will continue to review the issue and monitor whether the compensation plans should be amended in the future to meet the deductibility requirements of the Code. Our Long-Term Equity Compensation Plan provides that at all times when Code Section 162(m) is applicable, all awards granted under that plan shall comply with the requirements of Section 162(m) of the Code. However, the Compensation Committee may determine that such compliance is not desired with respect to any particular award.

Compensation Committee Report

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to our Board that the Compensation Discussion and Analysis section be included in the Company's amendment to the Annual Report filed on Form 10-K, referred to as our Form 10-K/A filing.

COMPENSATION COMMITTEE

Timm F. Crull, Chairman

Thierry Bourgeron

Ross E. Roeder

David L. Meyers

Table of Contents

SUMMARY COMPENSATION TABLE FOR 2006

The table below sets forth compensation earned by, or awarded or paid by us to, the Named Executive Officers for fiscal 2006, which ended on December 31, 2006.

Summary Compensation Table

Name and Principal Position (1)	Year	Salary (\$) (2)	Stock Awards (\$) (3)	Option Awards (\$) (4)	Annual Incentive Plan Bonus (\$) (5)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings (\$) (6)	All Other Compensation (\$)	Total (\$)
Etienne Snollaerts CEO	2006	\$756,544	\$705,477	\$282,042	\$0	\$213,314	\$442,912 (7)	\$2,400,289
Richard N. Phegley Senior Vice President, CFO	2006	\$298,085	\$60,668	\$42,666	\$0	\$87,535	\$41,463 (8)	\$530,417
André Delolmo Former Senior Vice President	2006	\$383,877	\$323,000	\$656,983	\$0	\$14,034	\$271,880 (9)	\$1,649,774
Norah Morley Senior Vice President	2006	\$300,198	\$46,765	\$36,014	\$0	\$71,313	\$42,137 (10)	\$496,427
Zeke Duge Senior Vice President	2006	\$297,068	\$38,390	\$28,060	\$0	\$85,173	\$48,107 (11)	\$496,798
Donald G. Alvarado Senior Vice President, General Counsel	2006	\$288,078	\$36,651	\$29,158	\$0	\$25,713	\$41,978 (12)	\$421,578

- (1) In addition to our CEO (Etienne Snollaerts) and our CFO (Richard N. Phegley), four executive officers are listed in the table because while André Delolmo would have been one of our three mostly highly compensated executives, he resigned from the Company as of October 31, 2006 and thus was not serving as an executive officer at the end of fiscal 2006.
- (2) 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 2006. Our Supplemental Deferred Compensation Plan was established to take effect for fiscal 1995 and all Named Executive Officers are or were eligible to participate during fiscal 2006.
- (3) The amounts in the Stock Awards column include the compensation cost for 2006 related to stock awards granted in 2006 and in prior years, computed in accordance with Statement of Financial Accounting Standard No. 123 (Revised 2004), Share-Based Payment (FAS 123(R)). See Note 12 to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2006, regarding assumptions underlying valuation of equity awards. See Grants of Plan-Based Awards for 2006 on pages 23-24 for information about equity awards granted for 2006 and Outstanding Equity Awards at 2006 Fiscal Year End on page 25 for information with respect to awards outstanding at year end.
- (4) The amounts in the Option Awards column include the compensation cost for 2006 related to option awards granted in 2006 and in prior years, computed in accordance with FAS 123(R). See Note 12 to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2006, regarding assumptions underlying valuation of equity awards. See Grants of Plan-Based Awards for 2006 on pages 23-24 for information about equity awards granted for 2006 and Outstanding Equity Awards at 2006 Fiscal Year End on page 25 for information with respect to awards outstanding at year end.

(5)

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No bonuses were paid in 2006 to our Named Executive Officers pursuant to our Annual Incentive Bonus Plan because the minimum financial objectives of the Company were not met.

- (6) The amounts shown in this column represent the actuarial present value of the benefits under the Pension Plan and the Supplemental Executive Retirement Plan, only. There were no above market earnings in fiscal 2006 under the Company's Supplemental Deferred Compensation Plan.

- (7) Perquisites generally available to Mr. Snollaerts include financial planning/tax preparation, auto allowance, auto maintenance and repair, gasoline, housing allowance, schooling allowance, travel allowance and club memberships. In addition, Mr. Snollaerts' expatriate perquisites included housing of \$120,000, grossed up to \$224,206, schooling allowance of \$45,000, grossed up to \$82,949, and travel allowance of \$40,000, grossed up to \$73,733. The total amount of these expatriate perquisites paid to Mr. Snollaerts in 2006 were reimbursed to the Company by Casino USA. Additionally, Mr. Snollaerts received \$26,377 in company-paid insurance premiums and \$4,356 in combined 401(k) Savings Plan and Supplemental Deferred Compensation Plan contributions by the Company.

Table of Contents

- (8) Perquisites generally available to Mr. Phegley include financial planning/tax preparation, auto allowance, auto maintenance and repair, and gasoline. In addition, Mr. Phegley received \$24,060 in company-paid insurance premiums, \$4,356 in combined 401(k) Savings Plan and Supplemental Deferred Compensation Plan Contributions by the Company, and \$9,600 in auto allowance.
- (9) Perquisites generally available to Mr. Delolmo include financial planning/tax preparation, auto allowance, auto maintenance and repair, gasoline, housing allowance, and travel allowance. In addition, Mr. Delolmo's expatriate perquisites included housing of \$90,100, grossed up to \$166,083 and travel allowance of \$33,429, grossed up to \$61,619. The total amount of the expatriate perquisites paid to Mr. Delolmo in 2006 was reimbursed by Casino USA. Mr. Delolmo also received \$25,020 in company-paid insurance premiums and \$4,356 in combined 401(k) Savings Plan and Supplemental Deferred Compensation Plan contributions and \$9,600 in auto allowance.
- (10) Perquisites generally available to Ms. Morley include financial planning/tax preparation, auto allowance, auto maintenance and repair, and gasoline. In addition, Ms. Morley received \$21,237 in company-paid insurance premiums, \$4,356 in combined 401(k) Savings Plan and Supplemental Deferred Compensation Plan contributions by the Company, \$9,600 in auto allowance and \$4,926 for financial planning.
- (11) Perquisites generally available to Mr. Duge include financial planning/tax preparation, auto allowance, auto maintenance and repair, and gasoline. Mr. Duge received \$22,037 in company-paid insurance premiums, \$4,356 in combined 401(k) Savings Plan and Supplemental Deferred Compensation Plan contributions by the Company, \$9,600 in auto allowance, \$5,000 for financial planning and \$4,825 for gasoline.
- (12) Perquisites generally available to Mr. Alvarado include financial planning/tax preparation, auto allowance, auto maintenance and repair, and gasoline. In addition, Mr. Alvarado received \$23,974 in company-paid insurance premiums, \$4,356 in combined 401(k) Savings Plan and Supplemental Deferred Compensation Plan contributions by the Company, \$9,600 in auto allowance, \$4,825 for gasoline and \$2,000 for financial planning, grossed up to \$3,113.

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 such amended and restated employment agreement was for three years from May 17, 2004 through May 17, 2007. We had the option to extend such agreement for another three year period from May 17, 2007, if we gave notice to Mr. Snollaerts of our intention to do so. The Board gave this notice on February 21, 2006. On April 6, 2006, we entered into a revised employment agreement with Mr. Snollaerts, which employment agreement terminates and supersedes our previous employment agreement with him and has an effective date of May 17, 2006. As revised, the term of this employment agreement is for four years from May 17, 2006 through May 17, 2010, with an option to extend such agreement for another three year period from May 17, 2010, if we give Mr. Snollaerts notice of our intention to do so.

Mr. Snollaerts' base salary is to be reviewed annually in accordance with our executive merit pay policy; however, his base salary cannot be decreased below its then current level. In March 2006, Mr. Snollaerts' salary was increased to \$770,000, and thereafter in March 2007, Mr. Snollaerts' salary was increased to \$800,000. Under the revised employment agreement, Mr. Snollaerts' base salary cannot be decreased below this level. If our Board awards annual bonuses generally, then Mr. Snollaerts is entitled to an annual bonus at our discretion. 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. We may change Mr. Snollaerts' annual bonus plan provided that such changes are applicable to all of

Table of Contents

our executives generally. Both Mr. Snollaerts' base salary and annual bonus are determined at the sole discretion of the Compensation Committee. For fiscal 2006, Mr. Snollaerts received a total of \$756,544 in base salary and no bonus. 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, fuel card, automobile insurance, retiree medical coverage and financial planning services. He is also entitled to a minimum of five weeks paid vacation per year, which if partially unused in any year is allowed to accumulate with a cap of ten weeks per year, and to reimbursement of certain expenses. Mr. Snollaerts' severance benefits are all pursuant to our Executive Severance Plan.

Snollaerts Expatriate Compensation Agreement. We also have an Expatriate Compensation Agreement, referred to herein as the Expatriate Agreement with Mr. Snollaerts and our majority shareholder, Casino USA, Inc., or Casino USA. 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 periodic basis, Casino USA reimburses us for the expatriate compensation we pay to Mr. Snollaerts (subject to the limitations described above), including all tax gross up payments. Under the Expatriate Agreement, in fiscal 2006, we paid Mr. Snollaerts a total of, \$380,888, including \$175,888 in tax gross-up; the entire amount of \$380,888 was reimbursed to us by Casino USA pursuant to his expatriate agreement.

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 Internal Revenue Code of 1986, as amended (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 2006, our 401(k) Savings Plan allowed participants to contribute up to 75% of their compensation, or \$15,000, whichever was lower. We match 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. Participants' contributions to our 401(k) Savings Plan, which are deemed to be 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 ten 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.

Grants of Plan-Based Awards for 2006

We maintain a Long-Term Equity Incentive Plan pursuant to which stock appreciation rights and stock option grants may be made to key employees. All of the stock awards, SARs or option awards granted in 2006 vest over time and do not contain any performance component. The following grants were made in fiscal 2006 to Named Executive Officers:

Table of Contents

Name	Grant Date	Estimated Future Payouts Under Annual Incentive Bonus Plan (1)			All Other Stock Awards: No. of Shares of Stock or Units (2)	All Other Option Awards: No. of Securities Underlying Options (#) (3)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards
		Threshold	Target	Maximum				
Etienne Snollaerts, CEO	2/21/06	\$385,000	\$770,000	\$1,540,000				
	2/21/06				50,000		\$719,500	
	2/21/06					100,000	\$622,534	
	2/21/06					25,000	\$155,633	
Richard N. Phegley, CFO	5/16/06				50,000		\$832,000	
	2/21/06	0	\$180,000	\$360,000				
	2/21/06				6,000		\$86,340	
	2/21/06					12,000	\$74,704	
André Delolmo	5/16/06				6,000		\$99,840	
	2/21/06	0	\$217,200	\$434,400				
	2/21/06				6,500		\$93,535	
	2/21/06					15,000	\$68,769	
Norah Morley	5/16/06				7,500		\$124,800	
	2/21/06	0	\$165,000	\$330,000				
	2/21/06				4,500		\$64,755	
	2/21/06					10,000	\$62,253	
Zeke Duge	5/16/06				4,500		\$74,880	
	2/21/06	0	\$149,375	\$298,750				
	2/21/06				3,500		\$50,365	
	2/21/06					8,500	\$52,915	
Donald G. Alvarado	5/16/06				4,000		\$66,560	
	2/21/06	0	\$145,000	\$290,000				
	2/21/06				3,500		\$50,365	
	2/21/06					8,500	\$52,915	
	5/16/06				3,500		\$58,240	

- (1) The Company's minimum financial objectives were not met for fiscal 2006, thus no payments were made under our annual incentive bonus plan. However, if the financial objectives were met, the annual incentive bonuses would have been in the ranges disclosed above. Mr. Snollaerts' target and maximum bonus award amounts are based on his employment agreement, which provides that if a bonus target is awarded, he is entitled to receive no less than 100% of his annual salary and no greater than a maximum of 200% of his annual salary. Mr. Snollaerts' threshold is based on achieving 80% of our EPS target to award 50% of his annual salary as a bonus. For all other listed Named Executive Officers, if our EPS is below 75% of the target, then they are ineligible for a bonus. For our Named Executive Officers, the target is determined by that individual's bonus target percentage multiplied by their 2006 salary and the maximum is their maximum bonus target percentage multiplied by their 2006 salary.
- (2) All of these stock awards vest three years from the grant date, with the exception of Mr. Delolmo, who resigned as of October 31, 2006 and in accordance with an agreement made with Mr. Delolmo, all his shares became fully vested on that date.
- (3) The only stock option award is the grant of 25,000 stock options to Mr. Snollaerts which will be fully vested in four years; one-third of this grant will vest on February 21 in each of the following years, 2008, 2009 and 2010.

Table of Contents

The remaining awards in this column are all stock appreciation rights awards that have the same four-year step vesting, one-third of each grant will vest on February 21 in each of the following years, 2008, 2009 and 2010.

- (4) Valuation determined pursuant to grant date fair value (FAS 123(R)). The actual value, if any, a grantee will realize upon exercise of an option or SAR will depend on the excess of the market value of the common stock over the exercise price on the date the award is exercised.

Long-Term Equity Compensation Plan. Stock-based awards, including non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock, performance shares and performance units may be granted under this plan. The plan is authorized to issue stock-based awards of 5,100,000 shares of our common stock, and this number of shares increases each year by the number of shares issued by reason of stock option awards being exercised and/or the vesting of other awards. In fiscal 2006, an additional 981,365 shares became available under the Long-Term Equity Compensation Plan based on the exercises of options to purchase common stock and the vesting of restricted shares between May 31, 2005 and May 30, 2006. At the end of fiscal 2006, the total stock-based awards available for grant under the Long-Term Equity Compensation Plan were 1,680,041 shares. The exercises of options and stock appreciation rights and the vesting of restricted shares between May 31, 2006 and May 30, 2007 will be added back into the plan as of May 30, 2007. The Long-Term Equity Compensation Plan expires December 31, 2010.

Annual Incentive Bonus Plan. Whether we will award our executives annual incentive bonuses in February of each year is based upon the Company meeting certain minimum financial goals. For our Chief Executive Officer, the financial goal is based solely upon the Company's earnings per share at the end of the fiscal year. For our other executives the financial goals include the financial performance of the particular operating unit for which they are responsible, for example, the annual incentive bonus for our Chief Financial Officer, Richard N. Phegley, would be based on both the Company's earnings per share and also whether the finance department met specific objectives. For all our Named Executive Officers, our fiscal year end earnings per share must achieve at least 75% of the target in order for an annual incentive bonus to be awarded. If our earnings per share is below the 75% threshold, then the Named Executive Officers are not eligible for an annual incentive bonus payment for that year. In 2006, the earnings per share fell below the minimum threshold, and no annual incentive payments were earned.

Outstanding Equity Awards at 2006 Fiscal Year End

All equity awards reported in the table below that were granted prior to June 2001, were granted under the Stock Incentive Plan and any grants made thereafter were granted pursuant to the Long-Term Equity Compensation Plan. The table below generally sets forth the number of outstanding equity awards that have not been earned or vested or that have not been exercised by the Named Executive Officers as of December 31, 2006:

Name	No. of Securities Underlying Unexercised Options (# Exercisable)	No. of Securities Underlying Unexercised Options (# Unexercisable)	Equity Incentive Plan Awards: Underlying Unexercised Options (#)		Option Exercise Price (\$)	Option Expiration Date	No. of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)*	Equity Incentive Plan Awards: No. of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)*
			No. of Securities Underlying Unexercised Options (#)	No. of Securities Underlying Unexercised Options (#)						
Etienne										
Snollaerts,										
CEO	12,500	0	0	\$ 9.250	5/4/2009 (1)					
	4,000	0	0	\$ 8.375	5/1/2010 (2)					
	5,334	2,666	0	\$ 4.400	2/18/2013 (3)					
	2,667	1,333	0	\$ 3.460	5/22/2013 (4)					
	66,667	33,333	0	\$ 6.500	9/16/2013 (5)					
	150,000	0	0	\$ 12.890	2/17/2014 (6)					
									60,000 (7)	\$ 1,134,000

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70,000	0	0 \$ 15.200	2/15/2015 (8)		
				23,333 (9)	\$ 440,994
				50,000 (10)	\$ 945,000
0	100,000	0 \$ 14.390	2/21/2014 (11)		
0	25,000	0 \$ 14.390	2/21/2016 (12)		
				50,000 (13)	\$ 945,000

Table of Contents

Name	No. of Securities Underlying Unexercised Options (# Exercisable)	No. of Securities Underlying Unexercised Options (# Unexercisable)	Equity Incentive Plan Awards:			No. of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)*
			No. of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date				
Richard									
Phegley,									
CFO	13,000	0	0	\$ 9.250	5/4/2009 (14)				
	11,000	0	0	\$ 6.875	2/15/2010 (15)				
	45,000	0	0	\$ 10.132	9/27/2011 (16)				
	25,000	0	0	\$ 9.800	2/19/2012 (17)				
	30,000	15,000	0	\$ 4.280	2/19/2013 (18)				
	16,667	8,333	0	\$ 6.500	9/16/2013 (5)				
	20,000	0	0	\$ 12.890	2/17/2014 (6)				
	15,000	0	0	\$ 15.200	2/15/2015 (8)				
								5,000 (9)	\$ 94,500
						6,000 (10)	\$ 113,400		
	0	12,000	0	\$ 14.390	2/21/2014 (11)			6,000 (12)	\$ 113,400
André									
Delolmo	50,000	0	0	\$ 5.490	12/4/2012 (19)				
	60,000	0	0	\$ 4.280	2/19/2013 (18)				
	25,000	0	0	\$ 6.500	9/16/2013 (5)				
	15,000	0	0	\$ 14.390	2/21/2014 (11)				
Norah									
Morley	30,000	0	0	\$ 9.813	9/14/2009 (20)				
	14,000	0	0	\$ 6.875	2/15/2010 (15)				
	20,000	0	0	\$ 10.132	9/27/2011 (16)				
	19,500	0	0	\$					