SIMPSON MANUFACTURING CO INC /CA/
Form 10-Q
November 09, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: September 30, 2007

OR

o **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: 0-23804

Simpson Manufacturing Co., Inc.

(Exact name of registrant as specified in its charter)

Delaware	**94-3196943**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5956 W. Las Positas Blvd., Pleasanton, CA 94588
(Address of principal executive offices)

(Registrant s telephone number, including area code): **(925) 560-9000**

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 x No o

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 x Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

The number of shares of the Registrant s common stock outstanding as of September 30, 2007: 48,528,803

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Simpson Manufacturing Co., Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(In thousands, unaudited)

	September 30, 2007	September 30, 2006	December 31, 2006
ASSETS			
Current assets			
Cash and cash equivalents	$ 156,928	$ 104,605	$ 148,299
Trade accounts receivable, net	126,588	132,946	95,991
Inventories	221,318	229,703	217,608
Deferred income taxes	12,158	11,622	11,216
Assets held for sale	9,704		
Other current assets	7,153	5,257	6,224
Total current assets	533,849	484,133	479,338
Property, plant and equipment, net	197,096	190,311	197,180
Goodwill	67,576	44,297	44,337
Equity method investment			33
Other noncurrent assets	38,347	15,156	14,446
Total assets	$ 836,868	$ 733,897	$ 735,334
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities			
Line of credit and current portion of long-term debt	$ 772	$ 326	$ 327
Trade accounts payable	38,054	40,134	22,909
Accrued liabilities	44,925	37,704	36,874
Accrued profit sharing trust contributions	6,880	6,708	8,616
Accrued cash profit sharing and commissions	9,723	12,213	7,817
Accrued workers compensation	3,448	3,312	3,712
Total current liabilities	103,802	100,397	80,255
Long-term debt, net of current portion		490	338
Other long-term liabilities	9,552	1,643	1,866
Total liabilities	113,354	102,530	82,459
Commitments and contingencies (Note 7)			
Stockholders equity			
Common stock, at par value	485	482	484
Additional paid-in capital	124,088	108,033	114,535
Retained earnings	575,868	511,552	526,362
Accumulated other comprehensive income	23,073	11,300	11,494

Total stockholders equity		723,514		631,367		652,875
Total liabilities and stockholders equity	$	836,868	$	733,897	$	735,334

The accompanying notes are an integral part of these condensed consolidated financial statements.

Simpson Manufacturing Co., Inc. and Subsidiaries

Condensed Consolidated Statements of Operations

(In thousands except per-share amounts, unaudited)

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Net sales	$ 217,265	$ 226,718	$ 641,707	$ 683,607
Cost of sales	136,055	139,803	395,512	409,259
Gross profit	81,210	86,915	246,195	274,348
Operating expenses (income):				
Research and development and other engineering	4,987	4,531	15,710	15,337
Selling	18,271	17,955	56,478	54,105
General and administrative	22,991	22,468	68,967	72,143
Loss (gain) on sale of assets	(561)	(3)	(654)	110
	45,688	44,951	140,501	141,695
Income from operations	35,522	41,964	105,694	132,653
Loss in equity method investment, before tax	(59)	(1)	(33)	(130)
Interest income, net	1,370	831	4,168	2,610
Income before income taxes	36,833	42,794	109,829	135,133
Provision for income taxes	14,186	15,704	41,574	51,151
Minority interest				166
Net income	$ 22,647	$ 27,090	$ 68,255	$ 83,816
Net income per common share				
Basic	$ 0.47	$ 0.56	$ 1.41	$ 1.74
Diluted	$ 0.46	$ 0.56	$ 1.40	$ 1.71
Cash dividends declared per common share	$ 0.10	$ 0.08	$ 0.30	$ 0.24
Number of shares outstanding				
Basic	48,500	48,120	48,449	48,295
Diluted	48,979	48,587	48,923	48,935

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Simpson Manufacturing Co., Inc. and Subsidiaries

Condensed Consolidated Statements of Stockholders Equity

for the nine months ended September 30, 2006 and 2007 and three months ended December 31, 2006

(In thousands except per-share amounts, unaudited)

	Common Stock		Additional	Retained	Accumulated Other	Treasury	
	Shares	Par Value	Paid-in Capital	Earnings	Comprehensive Income	Stock	Total
Balance, January 1, 2006	48,322	$ 483	$ 94,398	$ 456,474	$ 6,774	$	$ 558,129
Comprehensive income:							
Net income				83,816			83,816
Other comprehensive income:							
Translation adjustment, net of tax of $129					4,526		4,526
Comprehensive income							88,342
Options exercised	343	4	5,431				5,435
Stock compensation			5,681				5,681
Tax benefit of options exercised			2,294				2,294
Cash dividends declared on Common stock ($0.24 per share)				(11,577)			(11,577)
Common stock issued at $36.35 per share	6		229				229
Repurchase of common stock	(500)					(17,166)	(17,166)
Retirement of common stock		(5)		(17,161)		17,166	
Balance, September 30, 2006	48,171	482	108,033	511,552	11,300		631,367
Comprehensive income:							
Net income				18,680			18,680
Other comprehensive income:							
Translation adjustment, net of tax of $135					194		194
Comprehensive income							18,874
Options exercised	241	2	3,510				3,512
Stock compensation			1,937				1,937
Tax benefit of options exercised			1,055				1,055
Cash dividends declared on common stock ($0.08 per share)				(3,870)			(3,870)
Balance, December 31, 2006	48,412	484	114,535	526,362	11,494		652,875
Cumulative effect due to adoption of FIN 48				(16)			(16)
Balance, January 1, 2007	48,412	484	114,535	526,346	11,494		652,859
Comprehensive income:							
Net income				68,255			68,255
Other comprehensive income:							
Translation adjustment, net of tax of $156					11,579		11,579
Comprehensive income							79,834
Options exercised	230	2	4,426				4,428
Stock compensation			4,275				4,275
Tax benefit of options exercised			545				545
Repurchase of common stock	(123)					(4,191)	(4,191)
Retirement of common stock		(1)		(4,190)		4,191	
Cash dividends declared on Common stock ($0.30 per share)				(14,543)			(14,543)
Common stock issued at $31.65 per share	10		307				307
Balance, September 30, 2007	48,529	$ 485	$ 124,088	$ 575,868	$ 23,073	$	$ 723,514

The accompanying notes are an integral part of these condensed consolidated financial statements.

Simpson Manufacturing Co., Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(In thousands, unaudited)

	Nine Months Ended September 30, 2007	2006
Cash flows from operating activities		
Net income	$ 68,255	$ 83,816
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss (gain) on sale of assets	(654)	110
Depreciation and amortization	21,616	19,100
Impairment of long-lived assets	465	
Deferred income taxes	(3,033)	(2,610)
Noncash compensation related to stock plans	4,614	5,708
Loss in equity method investment	33	130
Excess tax benefit of options exercised	(690)	(2,048)
Provision for doubtful accounts	182	188
Provision for obsolete inventory	2,966	277
Minority interest		166
Changes in operating assets and liabilities, net of effects of acquisitions:		
Trade accounts receivable	(24,590)	(30,153)
Inventories	3,930	(46,604)
Trade accounts payable	13,808	6,430
Income taxes payable	2,309	4,843
Accrued profit sharing trust contributions	(1,838)	(1,053)
Accrued cash profit sharing and commissions	1,856	1,969
Other current assets	(2,046)	(1,672)
Accrued liabilities	5,350	1,893
Other long-term liabilities	(808)	410
Accrued workers compensation	(264)	50
Other noncurrent assets	(3,775)	(9)
Net cash provided by operating activities	87,686	40,941
Cash flows from investing activities		
Capital expenditures	(30,108)	(36,934)
Acquisition of minority interest		(9,135)
Proceeds from sale of capital assets	3,132	79
Distributions from equity investments		114
Asset acquisitions	(42,354)	
Net cash used in investing activities	(69,330)	(45,876)
Cash flows from financing activities		
Line of credit borrowings	6,756	712
Repayment of debt and line of credit borrowings	(6,687)	(1,413)
Repurchase of common stock	(4,191)	(17,166)
Issuance of common stock	4,428	5,435
Excess tax benefit of options exercised	690	2,048
Dividends paid	(13,562)	(11,591)
Net cash used in financing activities	(12,566)	(21,975)
Effect of exchange rate changes on cash	2,839	312

Net increase (decrease) in cash and cash equivalents		8,629		(26,598)
Cash and cash equivalents at beginning of period		148,299		131,203
Cash and cash equivalents at end of period	$	156,928	$	104,605
Noncash activity during the period				
Noncash capital expenditures	$	1,001	$	3,425
Dividends declared but not paid	$	4,854		3,820
Issuance of Company s common stock for compensation	$	307	$	229
Noncash asset acquisition	$	6,058	$	

The accompanying notes are an integral part of these condensed consolidated financial statements.

Simpson Manufacturing Co., Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Basis of Presentation

Principles of Consolidation

The consolidated financial statements include the accounts of Simpson Manufacturing Co., Inc. and its subsidiaries (the Company). Investments in 50% or less owned affiliates are generally accounted for using either cost or the equity method. All significant intercompany transactions have been eliminated.

Interim Period Reporting

The accompanying unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations for reporting on Form 10-Q. Accordingly, certain information and footnotes required by accounting principles generally accepted in the United States of America have been condensed or omitted. These interim statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company s 2006 Annual Report on Form 10-K (the 2006 Annual Report).

The unaudited quarterly condensed consolidated financial statements have been prepared on the same basis as the audited annual consolidated financial statements and, in the opinion of management, contain all adjustments (consisting of only normal recurring adjustments) necessary to state fairly the financial information set forth therein, in accordance with accounting principles generally accepted in the United States of America. The year-end condensed consolidated balance sheet data were derived from audited financial statements, but do not include all disclosures required by accounting principles generally accepted in the United States of America. The Company s quarterly results fluctuate. As a result, the Company believes the results of operations for the interim periods are not necessarily indicative of the results to be expected for any future period.

Revenue Recognition

The Company recognizes revenue when the earnings process is complete, net of applicable provision for discounts, returns and incentives, whether actual or estimated based on the Company s experience. This generally occurs when products are shipped to the customer in accordance with the sales agreement or purchase order, ownership and risk of loss pass to the customer, collectibility is reasonably assured and pricing is fixed or determinable. The Company s general shipping terms are F.O.B. shipping point, where title is transferred and revenue is recognized when the products are shipped to customers. When the Company sells F.O.B. destination point, title is transferred and the Company recognizes revenue on delivery or customer acceptance, depending on terms of the sales agreement. Service sales, representing aftermarket repair and maintenance and engineering activities, though significantly less than 1% of net sales and not material to the consolidated financial statements, are recognized as the services are completed. If the actual costs of sales returns, incentives, and discounts were to significantly exceed the recorded estimated allowance, the Company s sales would be adversely affected.

Net Income Per Common Share

Basic net income per common share is computed based on the weighted average number of common shares outstanding. Potentially dilutive securities, using the treasury stock method, are included in the diluted per-share calculations for all periods when the effect of their inclusion is dilutive.

The following is a reconciliation of basic net income (earnings) per share (EPS), to diluted EPS:

(in thousands, except per-share amounts)	Three Months Ended, September 30, 2007			Three Months Ended, September 30, 2006		
	Income	**Shares**	**Per Share**	**Income**	**Shares**	**Per Share**
Basic EPS						
Income available to common stockholders	$ 22,647	48,500	$ 0.47	$ 27,090	48,120	$ 0.56
Effect of Dilutive Securities						
Stock options		479	(0.01)		467	
Diluted EPS						
Income available to common stockholders	$ 22,647	48,979	$ 0.46	$ 27,090	48,587	$ 0.56

	Nine Months Ended, September 30, 2007			Nine Months Ended, September 30, 2006		
	Income	**Shares**	**Per Share**	**Income**	**Shares**	**Per Share**
Basic EPS						
Income available to common stockholders	$ 68,255	48,449	$ 1.41	$ 83,816	48,295	$ 1.74
Effect of Dilutive Securities						
Stock options		474	(0.01)		640	(0.03)
Diluted EPS						
Income available to common stockholders	$ 68,255	48,923	$ 1.40	$ 83,816	48,935	$ 1.71

Anti-dilutive shares attributable to outstanding stock options were excluded from the calculation of diluted net income per share. For the three and nine months ended September 30, 2007 and 2006, 1.1 million and 1.0 million shares subject to stock options were anti-dilutive, respectively.

Accounting for Stock-Based Compensation

The Company maintains two stock option plans under which it may grant incentive stock options and non-qualified stock options, although the Company has granted only non-qualified stock options under these plans. The Simpson Manufacturing Co., Inc. 1994 Stock Option Plan (the 1994 Plan) is principally for the Company s employees and the Simpson Manufacturing Co., Inc. 1995 Independent Director Stock Option Plan (the 1995 Plan) is for its independent directors. The Company generally grants options under each of the 1994 Plan and the 1995 Plan once each year. The exercise price per share under each option granted in February 2007 and January 2006 under the 1994 Plan equaled or exceeded the closing market price per share of the Company s Common Stock as reported by the New York Stock Exchange for the date when the Company first publicly announced its financial results for 2006 and 2005, respectively. The exercise price per share under each option granted under the 1995 Plan is at the fair market value on the date specified in the 1995 Plan. Options vest and expire according to terms established at the grant date.

Under the 1994 Plan, no more than 16 million shares of the Company s common stock may be sold (including shares already sold) pursuant to all options granted under the 1994 Plan. Under the 1995 Plan, no more than 320 thousand shares of common stock may be sold (including shares already sold) pursuant to all options granted under the 1995 Plan. Options granted under the 1994 Plan typically vest evenly over the requisite service period of four years and have a term of seven years. The vesting of options granted under the 1994 Plan will be accelerated if the grantee ceases to be employed by the Company after reaching age 60 or if there is a change in control of the Company. Options granted under the 1995 Plan are fully vested on the date of grant.

The following table represents the Company s stock option activity for the three and nine months ended September 30, 2007 and 2006:

(in thousands)	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Stock option expense recognized in operating expenses	$ 1,385	$ 1,887	$ 4,347	$ 5,442
Tax benefit of stock option expense in provision for income taxes	534	692	1,647	2,063
Stock option expense, net of tax	$ 851	$ 1,195	$ 2,700	$ 3,379
Fair value of shares vested	$ 1,402	$ 1,846	$ 4,275	$ 5,681
Proceeds to the Company from the exercise of stock options	$ 1,501	$ 869	$ 4,428	$ 5,435
Tax benefit from exercise of stock options	$ 161	$ 289	$ 545	$ 2,294

	At September 30, 2007	At September 30, 2006
Stock option cost capitalized in inventory	$ 192	$ 239

The amounts included in cost of sales, research and development and other engineering, selling, or general and administrative expenses depend on the job functions performed by the employees to whom the stock options were granted. Shares of common stock issued on exercise of stock options under the plans are registered under the Securities Act of 1933.

The assumptions used to calculate the fair value of options granted are evaluated and revised, as necessary, to reflect market conditions and the Company s experience.

Income Taxes

On January 1, 2007, the Company adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements and provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition issues.

As a result of the adoption of FIN 48, the Company recognized an adjustment to its January 1, 2007, opening retained earnings balance in the amount of $16 thousand.

At January 1, 2007, the Company had $7.5 million in unrecognized tax benefits, of which $1.8 million, if recognized, would favorably affect the effective tax rate. At September 30, 2007, the Company does not believe it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next 12 months.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense, which is a continuation of the Company s historical accounting policy. At January 1, 2007, the Company had accrued $1.0 million for the potential payment of interest, before income tax benefits.

There were no material changes to any of these amounts during the first nine months of 2007.

At January 1, 2007, the Company was subject to U.S. federal income tax examinations for the tax years 2003 through 2006. In addition, the Company was subject to state, local and foreign income tax examinations primarily for the tax years 2002 through 2006.

Presentation of Taxes Collected and Remitted to Governmental Authorities

During 2006, the Emerging Issues Task Force (EITF) issued EITF 06-3, How Taxes Collected and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation). The Company presents taxes collected and remitted to governmental authorities on a net basis in the accompanying condensed consolidated statements of operations.

Acquisitions

In July 2007, the Company s subsidiary, Simpson Strong-Tie Company Inc., purchased all of the stock of Swan Secure Products, Inc. (Swan Secure) for $43.5 million in cash (subject to post-closing adjustments). Swan Secure is a manufacturer and distributor of fasteners, largely stainless steel, and its products are marketed throughout the United States. The Company recorded goodwill of $20.1 million and intangible assets subject to amortization of $16.8 million as a result of the acquisition. Tangible assets, including inventory and trade accounts receivable, accounted for the balance of the purchase price, but the purchase price allocation has not been finalized. The Company does not believe that the final purchase price allocation will result in a material change to its financial position or the results of its operations and cash flows.

Recently Issued Accounting Standards

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 will be effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Management has not yet determined the effect, if any, on the Company s financial statements for its fiscal year ending December 31, 2008, or the fiscal quarters within that year. SFAS No. 157 will be applied prospectively as of January 1, 2008.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 allows entities to choose to elect, at specified dates, to measure eligible financial instruments at fair value. Entities must report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date, and recognize up-front costs and fees related to those items in earnings as incurred and not deferred. SFAS No. 159 applies to fiscal years beginning after November 15, 2007, with early adoption permitted for companies that have also elected to apply the provisions of SFAS No. 157. Companies are prohibited from retrospectively applying SFAS No. 159 unless they choose to early adopt both SFAS No. 157 and SFAS No. 159. SFAS No. 159 also applies to eligible items existing at November 15, 2007 (or the early adoption date). The Company has not elected to early adopt SFAS No. 157 and SFAS No. 159. Management has not yet determined the effect, if any, on the Company s financial statements for its fiscal year ending December 31, 2008.

2. Trade Accounts Receivable, net

Trade accounts receivable consist of the following:

(in thousands)	At September 30, 2007	2006	At December 31, 2006
Trade accounts receivable	$ 131,518	$ 137,917	$ 100,197
Allowance for doubtful accounts	(2,363)	(2,312)	(2,286)
Allowance for sales discounts and returns	(2,567)	(2,659)	(1,920)
	$ 126,588	$ 132,946	$ 95,991

3. Inventories

Inventories consist of the following:

(in thousands)	At September 30, 2007	2006	At December 31, 2006
Raw materials	$ 83,702	$ 102,288	$ 86,927
In-process products	22,596	26,639	24,209
Finished products	115,020	100,776	106,472
	$ 221,318	$ 229,703	$ 217,608

4. Property, Plant and Equipment, net

Property, plant and equipment, net, consist of the following:

(in thousands)	At September 30, 2007	2006	At December 31, 2006
Land	$ 19,790	$ 22,786	$ 22,797

Buildings and site improvements	127,559	114,363	117,815
Leasehold improvements	4,182	4,710	2,805
Machinery and equipment	205,522	174,909	188,901
	357,053	316,768	332,318
Less accumulated depreciation and amortization	(171,301)	(151,646)	(155,167)
	185,752	165,122	177,151
Capital projects in progress	11,344	25,189	20,029
	$ 197,096	$ 190,311	$ 197,180

The Company s vacant facilities in San Leandro, California, and in McKinney, Texas, have been classified as assets held for sale. Both facilities are associated with the connector segment.

In July 2007, the Company entered into an agreement to sell the San Leandro facility for $13.5 million. In September 2007, an environmental analysis of the property indicated that the property had contamination related to spilled fuel that would require an estimated $0.3 million to remediate. The clean-up is expected to be completed within 12 months and closing of the sale of the property will be delayed at least until the clean-up is complete.

In October 2007, the prospective buyer of the McKinney, Texas, factory terminated the sales agreement for that property. The company will continue to market that property and believes it may be sold within one year.

5. Investments

Equity Method Investment

The Company has a 35% equity interest in Keymark Enterprises, LLC (Keymark), for which it accounts using the equity method. Keymark develops software that assists in the design and engineering of residential structures. The Company s relationship with Keymark includes the specification of the Company s products in the Keymark software. The Company has no obligation to make any additional future capital contributions to Keymark.

6. Debt

Outstanding debt at September 30, 2007 and 2006, and December 31, 2006, and the available lines of credit at September 30, 2007, consisted of the following:

(dollar amounts in thousands)	**Available Credit at September 30, 2007**	**Debt Outstanding at September 30, 2007**	**2006**	**at December 31, 2006**
Revolving line of credit, interest at bank s reference rate less 0.50% (at September 30, 2007, the bank s reference rate less 0.50% was 7.25%), closed October 2007	$ 13,800	$	$	$
Revolving line of credit, interest at the bank s base rate plus 2% (at September 30, 2007, the bank s base rate plus 2% was 7.75%), expires October 2007	512			
Revolving lines of credit, interest rates between 4.50% and 5.79%	6,637	772		
Term loan, interest at LIBOR plus 1.375% repaid June 2007			600	450
Term loans, interest rates between 4.00 and 5.00%, repaid May 2007			216	215
	20,949	772	816	665
Less line of credit and current portion of long-term debt		(772)	(326)	(327)
Long-term debt, net of current portion		$	$ 490	$ 338
Available credit	$ 20,949			

In October 2007, the Company entered into an unsecured credit agreement with a syndicate of banks providing for a 5-year revolving credit facility of $200 million. The Company has the ability to increase the amount available under the credit agreement by an additional $200 million, to a maximum of $400 million, by obtaining additional commitments from existing lenders or new lenders and satisfying certain other conditions. The Company is required to pay an annual facility fee of 0.08 to 0.10 percent on the available commitments under the credit agreement, regardless of usage, with the applicable fee determined on a quarterly basis based on the Company s leverage ratio. Amounts borrowed under the credit agreement will bear interest at an annual rate equal to either, at the Company s option, (a) the British Bankers Association London Interbank Offered Rate for the appropriate currency appearing on Reuters Screen LIBOR01-02 Page (the LIBO Rate) plus a spread of from 0.27 to 0.40 percent, as determined on a quarterly basis based on the Company s leverage ratio, or (b) the Base Rate, plus a spread of 0.50 percent. The Company will pay participation fees for outstanding standby letters of credit at an annual rate equal to the LIBO Rate plus the applicable spreads described in the preceding sentence, and will pay market-based fees for commercial letters of credit. Loans outstanding under the credit agreement may be prepaid at any time without penalty except for LIBO Rate breakage costs and expenses.

The proceeds of loans advanced under the credit agreement and letters of credit issued thereunder may be used for working capital and other general corporate needs of the Company, to pay dividends to the Company s stockholders or to repurchase outstanding securities of the Company as permitted by the credit agreement, and to finance acquisitions by the Company permitted by the credit agreement. No loans or letters of credit are currently outstanding under the credit agreement. The Company and its subsidiaries are required to comply with various affirmative and negative covenants.

7. Commitments and Contingencies

Note 9 to the consolidated financial statements in the 2006 Annual Report provides information concerning commitments and contingencies. From time to time, the Company is involved in various legal proceedings and other matters arising in the normal course of business. The resolution of claims and litigation is subject to inherent uncertainty and could have a material adverse effect on the Company s financial condition, cash flows and results of operations.

The Company s policy with regard to environmental liabilities is to accrue for future environmental assessments and remediation costs when information becomes available that indicates that it is probable that the Company is liable for any related claims and assessments and the amount of the liability is reasonably estimable. The Company does not believe that these matters will have a material adverse effect on the Company s financial condition, cash flows or results of operations. In September 2007, the Company accrued $0.3 million related to clean-up and regulatory costs associated with its San Leandro, California, facility (see Note 4).

Corrosion, hydrogen enbrittlement, cracking, material hardness, wood pressure-treating chemicals, misinstallations, misuse, environmental conditions or other factors can contribute to failure of fasteners, connectors and tools. On occasion, some of the fasteners and connectors that the Company sells have failed, although the Company has not incurred any material liability resulting from those failures. The Company attempts to avoid such failures by establishing and monitoring appropriate product specifications, manufacturing quality control procedures, inspection procedures and information on appropriate installation methods and conditions. The Company subjects its products to extensive testing, with results and conclusions published in Company catalogues and on its websites (see www.strongtie.com/info and www.duravent.com). Based on test results to date, the Company believes that, generally, if its products are appropriately selected, installed and used in accordance with the Company s guidance, they may be reliably used in appropriate applications.

8. Stock Option Plans

The Company currently has two stock option plans (see Note 1 *Accounting for Stock-Based Compensation*). Participants are granted stock options only if the applicable company-wide or profit-center operating goals, or both, established by the Compensation Committee of the Board of Directors at the beginning of the year, are met.

The fair value of each option award was estimated on the date of grant using the Black-Scholes option pricing model. Expected volatility is based on historical volatilities of the Company s common stock measured monthly over a term that is equivalent to the expected life of the option. The expected term of options granted is estimated based on the Company s prior exercise experience and future expectations of the exercise and termination behavior of the grantees. The risk-free rate is based on the yield of U.S. Treasury zero-coupon bonds with maturities comparable to the expected life in effect at the time of grant. The dividend yield is based on the expected dividend rate on the grant date.

Black-Scholes option pricing model assumptions for options granted in 2007 and 2006 are as follows:

Number Of Options Granted *(in thousands)*	Grant Date	Risk Free Interest Rate	Dividend Yield	Expected Life	Volatility	Exercise Price Range	Weighted Average Fair Value
1994 Plan							
123	02/02/07	4.84%	1.19%	5.9 years	29.0%	$33.62	$ 11.11
1	05/30/06	4.97%	0.90%	6.3 years	27.2%	$35.75	$ 12.25
489	01/26/06	4.46%	0.79%	6.3 years	27.2%	$40.72 to $44.79	$ 13.68
1995 Plan							
5	02/15/06	4.46%	0.81%	6.3 years	27.2%	$39.27	$ 13.14

The following table summarizes the Company s stock option activity for the nine months ended September 30, 2007:

Non-Qualified Stock Options	Shares *(in thousands)*	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value * *(in thousands)*
Outstanding at January 1, 2007	2,837	$ 27.03		
Granted	123	33.62		
Exercised	(230)	19.29		
Forfeited	(44)	35.18		
Outstanding at September 30, 2007	2,686	$ 27.86	3.7	$ 16,594
Exercisable at September 30, 2007	2,030	$ 25.33	3.3	$ 15,897

* The intrinsic value represents the amount by which the fair market value of the underlying common stock exceeds the exercise price of the option, using the closing price per share of $31.85 on September 28, 2007.

The total intrinsic value of options exercised during the nine months ended September 30, 2007 and 2006, was $3.2 million and $7.2 million, respectively.

A summary of the status of unvested options as of September 30, 2007, and changes during the nine months ended September 30, 2007, are presented below:

Weighted-
Average

Unvested Options	**Shares** *(in thousands)*		**Grant-Date Fair Value**
Unvested at January 1, 2007	1,029	$	11.51
Granted	123		11.11
Vested	(451)		10.42
Forfeited	(44)		12.00
Unvested at September 30, 2007	657	$	12.15

As of September 30, 2007, $6.9 million of total unrecognized compensation cost was related to unvested share-based compensation arrangements granted under the 1994 Plan. This cost is expected to be recognized over a weighted-average period of 1.98 years. Options granted under the 1995 Plan are fully vested and are expensed on the date of grant.

9. Segment Information

The Company is organized into two primary operating segments. The segments are defined by types of products manufactured, marketed and distributed to the Company s customers. The two product segments are connector products and venting products. These segments are differentiated in several ways, including the types of materials, the production processes, the distribution channels and the product applications. Transactions between the two segments were immaterial for each of the periods presented.

The following table illustrates certain measurements used by management to assess the performance of the segments described above as of or for the following periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2007**	**2006**	**2007**	**2006**
Net Sales				
Connector products	$ 196,609	$ 201,739	$ 592,282	$ 614,901
Venting products	20,656	24,979	49,425	68,706
Total	$ 217,265	$ 226,718	$ 641,707	$ 683,607
Income from Operations				
Connector products	$ 35,101	$ 39,418	$ 108,357	$ 128,060
Venting products	14	2,526	(2,664)	5,088
Administrative and all other	407	20	1	(495)
Total	$ 35,522	$ 41,964	$ 105,694	$ 132,653

	At September 30,		At December 31,
	2007	**2006**	**2006**
Total Assets			
Connector products	$ 597,148	$ 542,677	$ 509,705
Venting products	83,540	88,390	80,143
Administrative and all other	156,180	102,830	145,486
Total	$ 836,868	$ 733,897	$ 735,334

Cash collected by the Company s subsidiaries is routinely transferred into the Company s cash management accounts and, therefore, has been included in the total assets of Administrative and all other. Cash and cash equivalent balances in the Administrative and all other segment were $134.1 million, $88.5 million, and $130.7 million, as of September 30, 2007 and 2006, and December 31, 2006, respectively.

10. Subsequent Events

In October 2007, the Company s Board of Directors declared a cash dividend of $0.10 per share, estimated to total $4.9 million, to be paid on January 31, 2008, to stockholders of record on January 10, 2008.

In October 2007, the Company entered into an unsecured credit agreement with a syndicate of banks providing for a 5-year revolving credit facility of $200 million (see Note 6). There are no current borrowings on this credit facility.

In October 2007, the Company s Board of Directors approved the relocation of a portion of the Company s foreign production to China in 2008 or 2009. This move, intended to improve the profitability of a product line, may result in a non-cash impairment charge to earnings for a portion, or all, of the goodwill of this foreign operation, which is carried on the Company's books at $15 million at September 30, 2007. This relocation may also involve other costs such as employee severance costs. The Company will complete its impairment assessment in the fourth quarter and has not yet determined the amount, if any, or timing of these charges or costs.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

This document contains forward-looking statements, based on numerous assumptions and subject to risks and uncertainties. Although the Company believes that the forward-looking statements are reasonable, it does not and cannot give any assurance that its beliefs and expectations will prove to be correct. Many factors could significantly affect the Company s operations and cause the Company s actual results to be substantially different from the Company s expectations. See Part II, Item 1A - Risk Factors. Actual results might differ materially from results suggested by any forward-looking statements in this report. The Company does not have an obligation to publicly update any forward-looking statements, whether as a result of the receipt of new information, the occurrence of future events or otherwise.

The following is a discussion and analysis of the consolidated financial condition and results of operations for the Company for the three and nine months ended September 30, 2007 and 2006. The following should be read in conjunction with the interim Condensed Consolidated Financial Statements and related Notes appearing elsewhere herein.

Results of Operations for the Three Months Ended September 30, 2007, Compared with the Three Months Ended September 30, 2006

Net sales decreased 4.2% to $217.3 million in the third quarter of 2007 as compared to net sales of $226.7 million for the third quarter of 2006. Net income decreased 16.4% to $22.6 million for the third quarter of 2007 as compared to net income of $27.1 million for the third quarter of 2006. Diluted net income per common share was $0.46 for the third quarter of 2007 as compared to $0.56 for the third quarter of 2006.

In the third quarter of 2007, sales declined throughout most regions of the United States. The decline was sharpest in the southeastern region and in California. Sales during the quarter in Canada increased significantly while sales in Europe were up slightly. Simpson Strong-Tie s third quarter sales decreased 2.5% from the same quarter last year, while Simpson Dura-Vent s sales decreased 17.3%. Simpson Strong-Tie s sales to contractor distributors had the largest percentage rate decrease while sales to homecenters increased. Sales decreased across most of Simpson Strong-Tie s major product lines, particularly those used in new home construction. Sales of the Swan Secure products, acquired in July 2007, accounted for approximately 3.3% of Simpson Strong-Tie s third quarter sales. With the exception of Direct-Vent, sales of all of Simpson Dura-Vent s product lines decreased as a result of several factors, including the decline in new home construction.

Income from operations decreased 15.3% from $42.0 million in the third quarter of 2006 to $35.5 million in the third quarter of 2007. Gross margins decreased from 38.3% in the third quarter of 2006 to 37.4% in the third quarter of 2007. The decrease in gross margins was primarily due to higher manufacturing costs and a higher proportion of fixed overhead costs to total costs, resulting primarily from the lower sales volume. The steel market continues to be dynamic with a high degree of uncertainty. Since December 31, 2006, total inventories have increased 1.7%. If steel prices increase and the Company is not able to increase its prices sufficiently, the Company s margins could further deteriorate.

Research and development and engineering expenses increased 10.1% from $4.5 million in the third quarter of 2006 to $5.0 million in the third quarter of 2007. This increase was primarily due to higher personnel costs of $0.5 million. Selling expenses increased 1.8% from $18.0 million in the third quarter of 2006 to $18.3 million in the third quarter of 2007. The increase was driven primarily by a $1.1 million increase in expenses associated with sales and marketing personnel, partially offset by a decrease in promotional expenses of $0.6 million and a decrease in agent commissions, on lower Simpson Dura-Vent sales, of $0.2 million. General and administrative expenses increased 2.3% from $22.5 million in the third quarter of 2006 to $23.0 million in the third quarter of 2007. The major components of the increase included a $0.5 million impairment of the Company s vacant factory in McKinney, Texas; a $0.5 million increase in depreciation and amortization costs (including incremental expenses associated with the acquisition of Swan Secure); a $0.8 million increase in administrative personnel costs (including incremental expenses associated with the acquisition of Swan Secure); and a $0.5 million increase in legal and professional service fees. These increases were partially offset by reduced cash profit sharing of $2.3 million. In August 2007, the Company completed the sale of its vacant warehouse building in McKinney, Texas, and recognized a gain on the sale of the property of $0.5 million. The effective tax rate was 38.5% in the third quarter of 2007, up from 36.7% in the third quarter of 2006. The increase resulted primarily from lower tax credits and an increase in state tax rates.

Results of Operations for the Nine Months Ended September 30, 2007, Compared with the Nine Months Ended September 30, 2006

Net sales decreased 6.1% to $641.7 million in the first nine months of 2007 as compared to net sales of $683.6 million for the first nine months of 2006. Net income decreased 18.6% to $68.3 million for the first nine months of 2007 as compared to net income of $83.8 million for the first nine months of 2006. Diluted net income per common share was $1.40 for the first nine months of 2007 as compared to $1.71 for the first nine months of 2006.

In the first nine months of 2007, sales declined throughout the United States while sales in Europe and Canada increased. Simpson Strong-Tie s sales decreased 3.7% during the first nine months of 2007 as compared to the same period last year, while Simpson Dura-Vent s sales decreased 28.1%. Simpson Strong-Tie s sales to dealer and contractor distributors had the largest percentage rate decreases, reflecting slower homebuilding activity, while sales to homecenters increased. Sales decreased across most of Simpson Strong-Tie s major product lines, particularly those used in new home construction. Sales of all of Simpson Dura-Vent s product lines decreased.

Income from operations decreased 20.3% from $132.7 million in the first nine months of 2006 to $105.7 million in the first nine months of 2007. Gross margins decreased from 40.1% in the first nine months of 2006 to 38.4% in the first nine months of 2007. The decrease in gross margins was primarily due to higher manufacturing costs and a higher proportion of fixed overhead costs to total costs, resulting primarily from the lower sales volume.

Selling expenses increased 4.4% from $54.1 million in the first nine months of 2006 to $56.5 million in the first nine months of 2007. The increase was driven primarily by a $3.5 million increase in expenses associated with sales and marketing personnel, professional service fees of $0.6 million and the donation of $0.5 million in cash and products (expensed at cost) to Habitat for Humanity International, Inc. Partially offsetting these increases were decreased promotional costs of $1.4 million and agent commissions, on lower Simpson Dura-Vent sales, of $1.1 million. General and administrative expenses decreased 4.4% from $72.1 million in the first nine months of 2006 to $69.0 million in the first nine months of 2007. The major components of the decrease were reduced cash profit sharing of $7.1 million and lower expenses related to the relocation of the Company s home office in the second quarter of 2006 of $1.1 million. These decreases were partially offset by the impairment charge taken in the third quarter as well as increases in depreciation and amortization charges totaling $1.6 million and expenses associated with higher administrative personnel costs of $1.4 million, both of which included incremental expenses associated with the acquisition of Swan Secure, and increased legal and professional services fees of $1.0 million. The effective tax rate was 37.9% in the first nine months of 2007, unchanged from the first nine months of 2006.

In October 2007, the Company s Board of Directors approved the relocation of a portion of the Company s foreign production to China in 2008 or 2009. This move, intended to improve the profitability of a product line, may result in a non-cash impairment charge to earnings for a portion, or all, of the goodwill of this foreign operation, which is carried on the Company's books at $15 million at September 30, 2007. This relocation may also involve other costs such as employee severance costs. The Company will complete its impairment assessment in the fourth quarter and has not yet determined the amount, if any, or timing of these charges or costs.

Liquidity and Sources of Capital

As of September 30, 2007, working capital was $430.0 million as compared to $383.7 million at September 30, 2006, and $399.1 million at December 31, 2006. The increase in working capital from December 31, 2006, was primarily due to increases in net trade accounts receivable of $30.6 million, assets held for sale of $9.7 million, cash and cash equivalents of $8.6 million, and inventories of $3.7 million. Net trade accounts receivable increased 32% from December 31, 2006, primarily due to the higher sales levels in the third quarter of 2007 compared to the fourth quarter of 2006. Total inventories increased 1.7% from December 31, 2006. Offsetting this increase in working capital were increases in trade accounts payable of $15.1 million, accrued liabilities of $8.1 million, and accrued cash profit sharing and commissions, primarily as a result of higher operating income compared to the fourth quarter of 2006, of $1.9 million. The balance of the change in working capital was due to the fluctuation of various other asset and liability accounts, none of which was individually material. The working capital change and changes in noncurrent assets and liabilities, combined with net income of $68.3 million and noncash expenses, primarily depreciation, amortization and stock-based compensation charges totaling $26.2 million, resulted in net cash provided by operating activities of $87.7 million. As of September 30, 2007, the Company had unused credit facilities available of $20.9 million. In October 2007, the Company entered into an unsecured credit agreement with a syndicate of banks providing for a 5-year revolving credit facility of $200 million. There are no current borrowings on this credit facility.

The Company used $69.3 million in its investing activities, primarily for the acquisition of Swan Secure and for capital expenditures, primarily for facilities or improvements in Vacaville and Stockton, California, and Maple Ridge, British Columbia, as well as for machinery and equipment for various facilities throughout the United States. The Company estimates its capital spending will be $35.0 million for 2007.

In February 2007, the Company purchased a facility it had been leasing in Maple Ridge, British Columbia, for $4.0 million. In July 2007, the Company s subsidiary, Simpson Strong-Tie Company Inc., purchased all of the stock of Swan Secure for $43.5 million in cash (subject to post-closing adjustments). Swan Secure is a manufacturer and distributor of fasteners, largely stainless steel, and its products are marketed throughout the United States. In September 2007, the Company completed the sale of its vacant McKinney, Texas, warehouse for total proceeds of $2.5 million.

The Company s vacant facilities in San Leandro, California, and vacant factory in McKinney, Texas, have been classified as assets held for sale. In July 2007, the Company entered into an agreement to sell the San Leandro facility for $13.5 million. In September 2007, an environmental analysis of the San Leandro property indicated that it had contamination related to spilled fuel that would require an estimated $0.3 million to remediate. The clean-up is expected to be completed within 12 months and closing of the sale of the property will be delayed at least until the clean-up is completed. In October 2007, the prospective buyer of the McKinney, Texas, factory terminated the sales agreement for that property. The company will continue to market that property and believes it may be sold within one year.

The Company s financing activities used net cash of $12.6 million. Uses of cash for financing activities were primarily for the payment of cash dividends in the amount of $13.6 million, repayment of the Company s credit lines of $6.7 million, and the repurchase of shares of its common stock for $4.2 million. Cash provided by financing activities were primarily from borrowings on the Company s credit lines of its European subsidiaries of approximately $6.8 million and the issuance of the Company s common stock through the exercise of stock options totaling $4.4 million. In October 2007, the Company s Board of Directors declared a cash dividend of $0.10 per share, estimated to total of $4.9 million, to be paid on January 31, 2008, to stockholders of record on January 10, 2008.

In February 2007, the Company completed the purchase of 122,500 shares of its Common Stock for a weighted average price of $34.22 per share. The total cost of the transaction was $4.2 million and was part of the $50.0 million that the Company s Board of Directors authorized in February 2007. The number of shares repurchased was the same as the number of shares that were subject to stock options granted in 2007.

The Company believes that cash generated by operations and borrowings available under its new credit facility will be sufficient for the Company s working capital needs and planned capital expenditures over the next 12 months. Depending on the Company s future growth and possible acquisitions, it may become necessary to secure additional sources of financing.

The Company s expected payment for contractual obligations now includes $8.6 million of gross liability for uncertain tax positions associated with the adoption of FIN 48, although the Company cannot estimate the timing of cash settlement of this liability. This amount does not include any amount receivable that may arise from the settlement of the Company s uncertain tax positions.

There have been no other material changes to the contractual obligation table represented in Item 7 of the Company s 2006 Annual Report on Form 10-K (available at www.simpsonmfg.com/docs/10K-2006.pdf or www.sec.gov) which provides information concerning the Company s commitments and obligations at December 31, 2006.

The Company believes that the effect of inflation on the Company has not been material in recent years, as general inflation rates have remained relatively low. The Company s main raw material, however, is steel, and increases in steel prices adversely affect the Company s gross margins if it cannot recover the higher costs through price increases.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company has foreign exchange rate risk in its international operations, primarily Europe and Canada, and through purchases from foreign vendors. The Company does not currently hedge this risk. If the exchange rate were to change by 10% in any one country where the Company has operations, the change in net income would not be material to the Company s operations taken as a whole. The translation adjustment resulted in an increase in accumulated other comprehensive income of $6.3 million and $11.6 million for the three and nine months ended September 30, 2007, respectively, primarily due to the effect of the weakening of the U.S. dollar in relation to the Canadian dollar and the European currencies during the first three months and nine months of 2007.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures. As of September 30, 2007, an evaluation of the effectiveness of the design and operation of the Company s disclosure controls and procedures was performed under the supervision and with the participation of the Company s management, including the chief executive officer (CEO) and the chief financial officer (CFO). Based on that evaluation, the CEO and the CFO concluded that the Company s disclosure controls and procedures were effective as of that date.

Changes in Internal Control over Financial Reporting. During the three months ended September 30, 2007, the Company made no changes to its internal control over financial reporting (as defined in Securities Exchange Act of 1934 Rules 13a-15(f) and 15d-15(f)) that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

The Company is in the process of implementing a new accounting software system initially focused on the general ledger and purchasing and payables modules. The Company has begun testing the general ledger system and is planning to begin using the new systems in 2008.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, the Company is involved in various legal proceedings and other matters arising in the normal course of business. The resolution of claims and litigation is subject to inherent uncertainty and could have a material adverse effect on the Company s financial condition, cash flows or results of operations.

Item 1A. Risk Factors.

We are affected by risks specific to us, as well as risks that affect all businesses operating in global markets. Some of the significant factors that could materially adversely affect our business, financial condition and operating results appear in Item 1A of our most recent Annual Report on Form 10-K (available at www.simpsonmfg.com/docs/10K-2006.pdf or www.sec.gov), and we have added the following additional risk factors:

Our international operations may be materially and adversely affected by factors beyond our control.

Economic, social and political conditions, laws, practices and customs vary widely among the countries where we sell our products. Our operations outside of the U.S. are subject to a number of risks and potential costs, including, for example, lower profit margins, less protection of intellectual property and economic, political and social uncertainty in some countries, especially in emerging markets. Our sales and profits depend, in part, on our ability to develop and implement policies and strategies that effectively anticipate and manage these and other risks in the countries where we do business. These and other risks may have a material adverse effect on our operations in any particular country and on our business as a whole. Inflation in emerging markets also makes our products more expensive there and increases the market and credit risks to which we are exposed.

Our international operations depend on our successful management of our non-U.S. subsidiaries.

We conduct most of our international business through wholly owned subsidiaries. Managing distant subsidiaries and fully integrating them into our business is challenging. We cannot directly supervise every aspect of the operations of our subsidiaries operating outside the U.S. As a result, we rely on local managers and staff. Cultural factors and language differences can result in misunderstandings among internationally dispersed personnel. The risk that unauthorized conduct may go undetected may be greater in non-U.S. subsidiaries. These problems could adversely affect our sales and profits.

If we fail to keep pace with advances in our industry or fail to persuade customers to adopt new products we introduce, customers may not buy our products, which would adversely affect our sales and profits.

Constant development of new technologies and techniques, frequent new product introductions and strong price competition characterize the construction industry. The first company to introduce a new product or technique to market gains a competitive advantage. Our future growth depends, in part, on our ability to develop products that are more effective, safer, or incorporate emerging technologies better than our competitors products. Sales of our existing products may decline rapidly if a competitor were to introduce superior products, or even if we announce a new product of our own. If we fail to make sufficient investments in research and development or if we focus on technologies that do not lead to better products, our current and planned products could be surpassed by more effective or advanced products. If we fail to manufacture our products economically and market them successfully, our sales and profits would be materially and adversely affected.

Changes in accounting standards could materially and adversely affect our financial results.

The accounting rules applicable to public companies are subject to frequent revision. Future changes in accounting standards and interpretations could require us to change the way we calculate income, expense or balance sheet data, which could result in material and adverse change to our reported results of operations or financial condition.

Global warming could materially and adversely affect our business.

Scientific reports indicate that, as a result of human activity

- temperatures around the world have been increasing and are likely to continue to increase as a result of increasing atmospheric concentrations of carbon dioxide and other carbon compounds,
- the frequency and severity of storms, and flooding, are likely to increase,
- severe weather is likely to occur in places where the climate has historically been more mild, and
- average sea levels have risen and are likely to rise more, threatening worldwide coastal development.

We cannot predict the effects that these phenomena may have on our business. They might, for example

- depress or reverse economic development,
- reduce the demand for construction,
- increase the cost and reduce the availability of fresh water,
- destroy forests, increasing the cost and reducing the availability of wood products used in construction,
- increase the cost and reduce the availability of raw materials and energy,

- increase the cost of capital,
- increase the cost and reduce the availability of insurance covering damage from natural disasters, and
- lead to new laws and regulations that increase our expenses and reduce our sales.

Any of these consequences, and other consequences of global warming that we do not foresee, could materially and adversely affect our sales, profits and financial condition.

We are subject to international tax laws that could affect our financial results.

We conduct international operations through our subsidiaries. Tax laws affecting international operations are complex and subject to change. Our income tax liabilities in the different countries where we operate depend in part on internal settlement prices and administrative charges among us and our subsidiaries. These arrangements require us to make judgments with which tax authorities may disagree. Tax authorities may impose additional taxes, penalties and interest on us. In addition, transactions that we have arranged in light of current tax rules could have material and adverse consequences if tax rules change.

If we are unable to protect our information systems against data corruption, cyber-based attacks or network security breaches, our operations could be disrupted.

We depend on information technology networks and systems, including the Internet, to process, transmit and store electronic information. We depend on our information technology infrastructure for electronic communications among our locations around the world and between our personnel and our subsidiaries, customers and suppliers. Security breaches of this infrastructure could create system disruptions, shutdowns or unauthorized disclosure of confidential information. Security breaches could disrupt our operations, and we could suffer financial damage or loss because of lost or misappropriated information.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

In February 2007, the Board of Directors authorized the Company to repurchase up to $50.0 million of the Company s common stock. This replaced the $50.0 million repurchase authorization from December 2005. The authorization will remain in effect through the end of 2007. The amount that may yet be purchased under this authorization is $45.8 million, although the Company does not currently have any plan to repurchase additional shares.

Item 6. Exhibits.

The following exhibits are either incorporated by reference into this report or filed with this report as indicated below.

3.1 Certificate of Incorporation of Simpson Manufacturing Co., Inc., as amended, is filed herewith.

3.2 Bylaws of Simpson Manufacturing Co., Inc. are incorporated by reference to exhibit 3.2 of the Company s Registration Statement on Form 8-A dated August 4, 1999.

4.1 Rights Agreement dated as of July 30, 1999 between Simpson Manufacturing Co., Inc. and BankBoston, N.A., which includes as Exhibit B the form of Rights Certificate, is incorporated by reference to exhibit 4.1 of the Company s Registration Statement on Form 8-A dated August 4, 1999.

4.2 Certificate of Designation, Preferences and Rights of Series A Participating Preferred Stock of Simpson Manufacturing Co., Inc., dated July 30, 1999, is incorporated by reference to exhibit 4.2 of the Company s Registration Statement on Form 8-A dated August 4, 1999.

4.3 Registrant s 1994 Stock Option Plan, as amended through July 29, 2002, is incorporated by reference to exhibit 4.1 of the Company s Registration Statement on Form S-8 dated July 30, 2002.

4.4 Registrant s 1995 Independent Director Stock Option Plan, as amended through July 29, 2002, is incorporated by reference to exhibit 4.1 of the Company s Registration Statement on Form S-8 dated July 30, 2002.

10.1 October 10, 2007, among the Company as Borrower, the Lenders party thereto, Wells Fargo Bank as Agent, and Simpson Dura-Vent Company, Inc., Simpson Strong Tie Company Inc., and Simpson Strong-Tie International, Inc. as Guarantors, is incorporated by reference to exhibit 10.1 of the Company s Current Report on Form 8-K dated October 15, 2007.

10.2 Form of Indemnification Agreement between Simpson Manufacturing Co., Inc. and its directors, executive officers as well as the officers of Simpson Strong-Tie Company Inc. and Simpson Dura-Vent Company, Inc., is incorporated by reference to exhibit 10.2 of the Company s Annual Report on Form 10-K for the year ended December 31, 2004.

10.3 Stock Purchase Agreement between Hobart K. Swan and Reliance Trust Company, solely in its capacity as independent trustee of the Swan Secure Products, Inc. Employee Stock Ownership Plan and Trust, and Simpson Strong-Tie Company Inc. and Simpson Manufacturing Co., Inc., is incorporated by reference to exhibit 10.1 of the Company s Current Report on Form 8-K dated July 24, 2007.

10.4 Purchase and Sale Agreement and Joint Escrow Instructions, dated June 5, 2007, by and between Simpson Manufacturing Co., Inc. and Oakland Land Company, LLC, is incorporated by reference to exhibit 10.1 of the Company s Current Report on Form 8-K dated June 15, 2007.

31. Rule 13a-14(a)/15d-14(a) Certifications are filed herewith.

32. Section 1350 Certifications are filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Simpson Manufacturing Co., Inc.
(Registrant)

DATE:	November 8, 2007	By	/s/ Michael J. Herbert

Michael J. Herbert
Chief Financial Officer
(principal accounting and financial officer)