

SIMPSON MANUFACTURING CO INC /CA/  
Form DEF 14A  
March 10, 2008

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant  X

Filed by a Party other than the Registrant  O

Check the appropriate box:

- Preliminary Proxy Statement  
 **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**  
 Definitive Proxy Statement  
 Definitive Additional Materials  
 Soliciting Material Pursuant to §240.14a-12

**Simpson Manufacturing Co., Inc.**  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.  
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**SIMPSON MANUFACTURING CO., INC.**

**5956 W. Las Positas Blvd.**

**Pleasanton, California 94588**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

To the Stockholders of Simpson Manufacturing Co., Inc.:

We will hold the annual meeting of our stockholders at 2:00 p.m., Pacific Daylight Time, on Wednesday, April 23, 2008, at our home office located at 5956 W. Las Positas Blvd., Pleasanton, California. The matters that you will address at this meeting are:

1. Election of 3 directors to our Board of Directors, each to hold office for a 3-year term and until his successor is elected and qualifies or until his earlier resignation or removal.
2. A proposal to amend and re-approve our Executive Officer Cash Profit Sharing Plan.
3. A proposal to amend and re-approve the Simpson Manufacturing Co., Inc. 1994 Stock Option Plan.
4. A proposal to ratify our Board of Directors selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the current fiscal year.
5. Any other business that properly comes before the meeting.

Only stockholders of record as of February 25, 2008, are entitled to notice of and will be entitled to vote at this meeting or any adjournment of this meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Michael J. Herbert  
*Secretary*

Pleasanton, California  
March 14, 2008

TO ASSURE THAT YOUR SHARES ARE REPRESENTED AT THE MEETING, WE URGE YOU TO COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND MAIL IT PROMPTLY IN THE POSTAGE-PAID ENVELOPE PROVIDED, OR VOTE BY TELEPHONE OR THE INTERNET AS INSTRUCTED ON THE PROXY, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING. YOU CAN REVOKE YOUR PROXY AT ANY TIME BEFORE THE PROXIES YOU APPOINT CAST YOUR VOTES.

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**SIMPSON MANUFACTURING CO., INC.**

**5956 W. Las Positas Blvd.**

**Pleasanton, California 94588**

**March 14, 2008**

**PROXY STATEMENT**

**Solicitation and Voting of Proxies**

On behalf of the Board of Directors of Simpson Manufacturing Co., Inc., a Delaware corporation, we are soliciting from you a proxy in the enclosed form for use at our Annual Meeting of Stockholders. We will hold this meeting at our home office located at 5956 W. Las Positas Blvd., Pleasanton, California, on Wednesday, April 23, 2008, at 2:00 p.m., Pacific Daylight Time. Your proxy will be used at this meeting or at any adjournment of this meeting. Only holders of record of our common stock at the close of business on February 25, 2008, may vote at this meeting. At the close of business on that date, we had 48,576,852 shares of our common stock outstanding and entitled to vote. A majority, or 24,288,427, of these shares, present in person or represented by proxy at this meeting, will constitute a quorum for the transaction of business. We are distributing this Proxy Statement and our Annual Report to Stockholders for the year ended December 31, 2007, to each of our stockholders on or about March 14, 2008.

**Revocability of Proxy**

If you give a proxy, you may revoke it, at any time before the proxy holders vote it at the meeting, in any of the 3 following ways:

- deliver a written notice to our Secretary by any means, including facsimile, stating that the proxy is revoked;
- sign a proxy bearing a later date and deliver it to our Secretary; or
- attend the meeting and vote in person, although your attendance at the meeting will not, by itself, revoke your proxy.

If, however, your shares are held of record by a broker, bank or other nominee and you desire to vote at the meeting, you must bring to the meeting a letter from the broker, bank or other nominee confirming your beneficial ownership of the shares you desire to vote.

**Expenses of Proxy Solicitation**

We are paying the expenses of this solicitation of proxies. After we mail this Proxy Statement and other soliciting materials, we or our agents may also solicit proxies by mail, telephone or facsimile or in person.

**Voting Rights**

As a holder of our common stock, you are entitled to one vote per share on any matter submitted to a vote of the stockholders. Our Bylaws permit stockholders to cumulate their votes in the election of directors at an annual meeting if, at least 65 days before the meeting, a stockholder notifies our Secretary in writing of the stockholder's intention to cumulate votes. Cumulative voting would entitle each stockholder to give one properly nominated candidate a number of votes equal to the number of directors to be elected multiplied by the number of shares the stockholder holds or to distribute those votes on the same principle among as many properly nominated candidates as the stockholder thinks fit. Our Secretary has not, however, received a cumulative voting notice for this meeting, and as a result cumulative voting will not be available at this meeting.

Our Board of Directors expects all nominees named below to be available for election. If any nominee is not available, the proxy holders may vote for a substitute whom the Governance and Nominating Committee of our Board of Directors may nominate. We are not aware of any specific matter to be brought before the meeting that is not identified in the notice of the meeting and this Proxy Statement. If, however, stockholders present proposals at the meeting that are not included in this Proxy Statement, the proxy holders will have discretion to vote on those proposals as they see fit. The proxies solicited by this Proxy Statement will confer discretionary authority on matters of which we are not aware a reasonable time before the meeting. Accordingly, the proxy holders may use their discretionary authority to vote on any such matter pursuant to the proxies in the enclosed form.

Our stockholders may cast votes personally at the meeting or the proxy holders may cast the votes of stockholders who provide proxies in the enclosed form. Our stockholders will elect directors at the meeting by a plurality of the votes cast at the meeting. In the election of directors, that is, the nominees receiving the highest numbers of affirmative votes of the shares entitled to be voted for them up to the number of directors to be elected by such shares are elected. Votes against a nominee and votes withheld have no legal effect. Approval of Proposal Nos. 2, 3 and 4 will require the affirmative vote of a majority of the votes cast at the meeting. Abstentions and broker nonvotes count as shares present for determination of a quorum but do not count as affirmative or negative votes on any item to be voted on and do not count in determining the number of shares voted on any item.

**SECURITY OWNERSHIP OF CERTAIN  
BENEFICIAL OWNERS AND MANAGEMENT**

The following table provides information, as of February 25, 2008, unless otherwise indicated, about the beneficial ownership of our common stock by

- each stockholder known by us to be the beneficial owner of more than 5% of our common stock,
- each director and director nominee,
- each person currently serving as one of our executive officers named in the Summary Compensation Table see Executive Compensation below, and
- all of our current executive officers and directors as a group.

Name and, for Each 5% Beneficial Owner, Address	Amount and Nature of Beneficial Ownership (1)	Percent of Class
Barclay Simpson (2) 5956 W. Las Positas Blvd. Pleasanton, CA 94588	10,577,107	21.8%
Royce & Associates, LLC (3) 1414 Avenue of the Americas New York, NY 10019	6,467,110	13.3%
Fidelity Management and Research Company (4) 82 Devonshire Street Boston, MA 02109	4,500,000	9.3%
Neuberger Berman, LLC (5) 605 Third Avenue New York, NY 10158	3,618,972	7.4%
Bank of America Corporation (6) 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	3,490,404	7.2%
Thomas J Fitzmyers (7)	368,015	*
Phillip T. Kingsfather (8)	51,610	*
Michael J. Herbert (9)	225,000	*
Stephen P. Eberhard (10)	129,977	*



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Jennifer A. Chatman (11)	5,000	*
Gary M. Cusumano	800	*
Earl F. Cheit (12)	9,000	*
Peter N. Louras, Jr. (12)	11,683	*
Robin G. MacGillivray (11)	5,000	*
Barry Lawson Williams (12)	7,000	*
All current executive officers and directors as a group (13)	11,390,192	23.3%

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\* Less than 0.5%

(1) We based the information in this table on information that our officers and directors provided to us and on statements on Schedule 13D or 13G that stockholders filed with the Securities and Exchange Commission and sent to us. Unless otherwise indicated below, the persons named in the table had sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable.

(2) Includes 3,250 shares subject to options that we granted under the 1994 Stock Option Plan and that are exercisable within 60 days.

(3) As of December 31, 2007, Royce & Associates, LLC beneficially owned an aggregate of 6,467,110 shares or 13.3% of our outstanding common stock. Royce & Associates, LLC had sole power to vote or direct the vote and to dispose or direct the disposition of these shares.

(4) As of December 31, 2007, Fidelity Management & Research Company, a wholly-owned subsidiary of FMR LLC and an investment adviser registered under section 203 of the Investment Advisers Act of 1940, beneficially owned 4,500,000 shares or 9.3% of our outstanding common stock as a result of acting as investment adviser to various investment companies registered under section 8 of the Investment Company Act of 1940.

The ownership of one investment company, Fidelity Low Priced Stock Fund, amounted to 4,500,000 shares or 9.3% of our outstanding common stock. Fidelity Low Priced Stock Fund has its principal business office at 82 Devonshire Street, Boston, Massachusetts 02109.

Edward C. Johnson III and FMR Corp., through control of Fidelity Management & Research Company and the funds, each has sole power to dispose of the 4,500,000 shares owned by the funds.

Members of the family of Edward C. Johnson III, Chairman of FMR LLC, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other Series B shareholders have entered into a shareholders' voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and the execution of the shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC.

Neither FMR LLC nor Edward C. Johnson III, Chairman of FMR LLC, has the sole power to vote or direct the voting of the shares owned directly by the Fidelity Funds, which power resides with the Funds' Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by the Funds' Boards of Trustees.

(5) Neuberger Berman, LLC is deemed to be a beneficial owner since it has shared power to make decisions whether to retain or dispose, and in some cases the sole power to vote, the securities of many unrelated clients. Neuberger Berman, LLC does not, however, have any economic interest in the securities of those clients. The clients are the actual owners of the securities and have the sole right to receive and the power to direct the receipt of dividends from or proceeds from the sale of such securities. As of December 31, 2007, Neuberger Berman, LLC beneficially owned an aggregate of 3,618,972 shares or 7.4% of our outstanding common stock, of which Neuberger Berman, LLC shared dispositive power with respect to 3,618,972 shares, had sole voting power with respect to 4,000 shares and shared voting power with respect to 2,993,000 shares.

With regard to the shares set forth in the table, Neuberger Berman, LLC and Neuberger Berman Management Inc. are deemed to be beneficial owners since they both have shared power to make decisions whether to retain or dispose and vote the securities. Neuberger Berman, LLC and Neuberger Berman Management Inc. serve as a sub-adviser and investment manager, respectively, of Neuberger Berman's various Mutual Funds which hold such shares in the ordinary course of their business and not with the purpose nor with the effect of changing or influencing the control of the issuer. The holdings of Lehman Brothers Asset Management LLC, an affiliate of Neuberger Berman LLC, are also aggregated to comprise the holdings referenced herein.

No other Neuberger Berman, LLC advisory client had an interest of more than 5% of our outstanding common stock.

(6) As of December 31, 2007, Bank of America Corporation and its affiliates, NB Holdings Corporation, Bank of America N.A., United States Trust Company, N.A., BAC North America Holding Company, LaSalle Bank Corporation, LaSalle Bank, N.A., Columbia Management Group, LLC, Columbia Management Advisors, LLC and Banc of America Investment Advisors, Inc. in its capacity as investment adviser, beneficially owned an aggregate of 3,490,404 shares or 7.2% of our outstanding common stock. Of these shares: Bank of America Corporation shared power to vote 3,129,191 shares and shared power to dispose of 3,490,404 shares; NB Holdings Corporation shared power to vote 3,112,048 shares and shared power to dispose of 3,486,290 shares; Bank of America N.A. had sole power to vote and dispose of 4,424 shares, shared power to vote 180,080 shares and shared power to dispose of 153,711 shares; United States Trust Company, N.A. had sole power to vote 2,927,544 shares, shared power to vote 14,480 shares, sole power to dispose of 3,120,483 shares and shared power to dispose of 207,672 shares; BAC North America Holding Company shared power to dispose of 4,114 shares; LaSalle Bank Corporation shared power to dispose of 4,114 shares; LaSalle Bank, N.A. had sole power to dispose of 3,764 shares and shared power to dispose of 350 shares; Columbia Management Group, LLC shared power to vote and dispose of 148,511 shares; Columbia Management Advisors, LLC had sole power to vote and dispose of 148,511 shares; and Banc of America Investment Advisors, Inc. shared power to vote 33,432 shares. No client of Bank of America Corporation or any of such affiliates is known to have the right or power to vote or dispose of more than 5% of our outstanding common stock.

(7) Includes 47,250 shares subject to options that we granted under our 1994 Stock Option Plan and that are exercisable within 60 days. Mr. Fitzmyers has a revolving line of credit in the maximum amount of \$4.5 million that is secured, in part, by 300,000 shares of our common stock that he owns.

(8) Includes 38,543 shares subject to options that we granted under our 1994 Stock Option Plan and that are exercisable within 60 days.

(9) Includes 225,000 shares subject to options that we granted under our 1994 Stock Option Plan and that are exercisable within 60 days.

(10) Includes 32,000 shares subject to options that we granted under our 1994 Stock Option Plan and that are exercisable within 60 days.

(11) Includes 5,000 shares subject to options that we granted under our 1995 Independent Director Stock Option Plan and that are exercisable within 60 days.

(12) Includes 7,000 shares subject to options that we granted under our 1995 Independent Director Stock Option Plan and that are exercisable within 60 days.

(13) Includes 377,043 shares subject to options that are exercisable within 60 days, including the options described in the above notes.

**PROPOSAL NO. 1****ELECTION OF DIRECTORS****Nominee**

We have nominated for re-election at the meeting Thomas J Fitzmyers, Earl F. Cheit and Barry Lawson Williams, whose terms as directors expire in 2008. Below are the names of our directors and information about them. The persons authorized to vote the shares represented by proxies in the enclosed form intend to vote for Mr. Fitzmyers, Mr. Cheit and Mr. Williams. Under our Bylaws, the stockholders will not be permitted to nominate anyone at the meeting. If stockholders cast any votes at the meeting for any candidates other than those that we have nominated, the persons authorized to vote shares represented by proxies in the enclosed form, except for proxies withholding authority to vote for the election of directors or for any particular nominees, will have full discretion and authority to vote for any or all of the nominees in such order as those persons may determine.

<b>Name</b>	<b>Age</b>	<b>Director Since</b>	<b>Position</b>
Barclay Simpson (4)	86	1956	Chairman of the Board and Director term expiring in 2009
Thomas J Fitzmyers	67	1978	President and Chief Executive Officer and Director term expiring in 2008
Jennifer A. Chatman (1) (2) (4)	48	2004	Director term expiring in 2009
Earl F. Cheit (2) (3) (4)	81	1994	Director term expiring in 2008
Gary M. Cusumano (1) (2) (4)	64	2007	Director term expiring in 2010
Peter N. Louras, Jr. (1) (2) (3) (4)	58	1999	Director term expiring in 2010
Robin G. MacGillivray (2) (3) (4)	52	2004	Director term expiring in 2009
Barry Lawson Williams (1) (3) (4)	63	1994	Director term expiring in 2008

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- (1) Member of the Compensation Committee
  - (2) Member of the Audit Committee
  - (3) Member of the Governance and Nominating Committee
  - (4) Member of the Growth Committee

**Executive Officers**

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Our executive officers include Barclay Simpson and Thomas J Fitzmyers. They are also executive officers and directors of some of our subsidiaries. Michael J. Herbert, age 49, is our Chief Financial Officer, Treasurer and Secretary and serves some of our subsidiaries in similar capacities. Phillip T. Kingsfather, age 61, is the President and Chief Operating Officer of our subsidiary, Simpson Strong-Tie Company Inc. Stephen P. Eberhard, age 54, is a director and the Chief Executive Officer of our subsidiary, Simpson Dura-Vent Company, Inc. We regard Mr. Kingsfather and Mr. Eberhard as executive officers, because they both perform management policy-making functions for us.

## **Biographical Information**

*Barclay Simpson* has been the Chairman of our Board of Directors since 1994. He has been with our management since our inception in 1956. Mr. Simpson also is a member of the Boards of Directors of the University Art Museum of the University of California, Berkeley, and the California College of the Arts. He is also active in other charitable and educational institutions.

*Thomas J Fitzmyers* has served as our President and as a director since 1978. He has served as our Chief Executive Officer since 1994. He has served as the Chief Executive Officer and a director of our subsidiary, Simpson Strong-Tie Company Inc., since 1983. He has served as a director of our subsidiary, Simpson Dura-Vent Company, Inc., since 1982. Mr. Fitzmyers was employed by Union Bank from 1971 to 1978. He was a Regional Vice President when he left Union Bank to join us in 1978.

*Jennifer A. Chatman* is the Paul J. Cortese Distinguished Professor of Management, Haas School of Business, University of California, Berkeley. Before joining the Berkeley faculty in 1993, she was a professor at the Kellogg Graduate School of Management, Northwestern University. She received her Ph.D. from University of California, Berkeley in 1988. She is an Advisory Board Member of Ashesi University in Ghana and a member of the Board of Trustees of Prospect Sierra School. In addition to her research and teaching at University of California, Berkeley, she consults with a wide range of organizations and teaches in executive development programs at the Haas School of Business, Stanford University and Columbia University.

*Earl F. Cheit* is Dean and Edgar F. Kaiser Professor Emeritus, Haas School of Business, University of California, Berkeley. Until 2001, he was Chairman of the Board of YCI, a consumer products company, and Senior Advisor, Asia Pacific Economic Affairs, The Asia Foundation. He is a member of the Audit Committee of the Evelyn and Walter Haas, Jr. Fund, a Trustee of Mills College, a Trustee of the University of California, Berkeley, Foundation and founding Chairman of Cal Performances, the performing arts presenter and commissioner at the University of California, Berkeley. He is a member of the Bay Area Council's Business Hall of Fame selection committee.

*Gary M. Cusumano* has over 35 years of experience with The Newhall Land and Farming Company, most recently as its Chairman. He retired from Newhall Land and Farming Company in January 2006. He is a director of Granite Construction, Inc. and Forest Lawn Memorial Park, was formerly a director of Sunkist Growers, Inc., Watkins-Johnson Company and Zero Corporation and has served on the boards of many not-for-profit and community service organizations.

*Peter N. Louras, Jr.* is a retired corporate executive. He served as Interim President at John F. Kennedy University in Pleasant Hill, California, from October 2003 to May 2004. He previously served as John F. Kennedy University's Vice President for Strategic Planning and served on its Board of Regents from 1994 to 2003. He joined The Clorox Company in 1980 and was Group Vice President from May 1992 until his retirement in July 2000. In this position, he served on The Clorox Company's Executive Committee with overall responsibility for its international business



activities and business development function, including acquisitions and divestitures. Before joining The Clorox Company, Mr. Louras, a certified public accountant, worked at Price Waterhouse in San Francisco. Mr. Louras is a member of the American Institute of CPAs and the Pennsylvania Institute of CPAs. He is currently a member of the Board of Directors of Dealer Fusion, a privately owned company, and serves on the boards of various not-for-profit organizations.

*Robin G. MacGillivray* became president of what was then SBC West Business Communications Services (now AT&T West) in July 2003. She is responsible for business market sales and customer service in California and Nevada. She previously served as Senior Vice President Strategic Process Improvement, where she oversaw that company's call center transformation, DSL improvement, and sales and marketing process standardization efforts. Ms. MacGillivray joined SBC West Business Communications Services in 1979, after receiving her bachelor's degree in journalism from the School of Journalism and her master's degree in telecommunications management from the Annenberg School of Communications, both at the University of Southern California. She completed the Stanford Executive Program at Stanford University

in 1997. She has worked in numerous SBC company organizations and functions, including Engineering, Operations, Finance, Human Resources, Marketing, Customer Service and Sales. She is a Regent of John F. Kennedy University and is President of the Board of Directors of the Girl Scouts of Northern California.

*Barry Lawson Williams* has been President of Williams Pacific Ventures Inc., a venture capital and real estate consulting firm, since 1987. He is a director of PG&E Corporation, CH2M HILL Companies, Ltd., SLM Corp., Northwestern Mutual Life Insurance Co. and R.H. Donnelly & Co. Mr. Williams was also a General Partner of WDG Ventures Inc., a California limited partnership, until 2002. He was interim President and Chief Executive Officer of the American Management Association International during 2000 and 2001.

*Michael J. Herbert* has served as our and our subsidiaries Chief Financial Officer, Treasurer and Secretary since 2000. From 1988 to 2000 he held various financial management positions, with his last position as Director of Finance, with Sun Microsystems, Inc.

*Phillip T. Kingsfather* has served as the President and Chief Operating Officer of Simpson Strong-Tie Company Inc. since August 2006 and has been with us since 1979. His career with our company started in 1979 as an Outside Sales Representative in the Pacific Northwest for Simpson Strong-Tie Company Inc.. In 1985, he became Regional Sales Manager. He joined our Anchor Systems sales team in 1997 and was instrumental in the launch of this product line. In 2003, he was promoted to Vice President in charge of our Anchor Systems product line.

*Stephen P. Eberhard* has served as the President of Simpson Dura-Vent Company, Inc. since November 2003 and Chief Executive Officer and a director of Simpson Dura-Vent Company, Inc. since January 2004. From 1994 to 2003, he served as Vice President of Information Systems for Simpson Strong-Tie Company Inc. From 1983 to 1994 he served in various capacities with us and our subsidiaries, including cost accountant, controller, purchasing manager, and Director of Information Systems. From 1977 to 1982, Mr. Eberhard was general manager of a family-owned retail industrial equipment dealership. Mr. Eberhard was an auditor with Price Waterhouse from 1975 to 1977.

## **Independence**

The New York Stock Exchange corporate governance rules require that the board of directors of a listed company consist of a majority of independent directors. A majority of our directors are independent under those rules.

Pursuant to the New York Stock Exchange corporate governance rules, our Board of Directors has adopted categorical independence standards to assist in determining director independence. The categorical standards provide that a director will not be independent of a listed company if:

- the director is, or has been within the last 3 years, an employee of the listed company, or an immediate family member is, or has been within the last 3 years, an executive officer, of the listed company;
- the director has received, or has an immediate family member who has received, during any 12-month period within the last 3 years, more than \$100,000 in direct compensation from the listed company, 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;
- **(a) the director or an immediate family member is a current partner of a firm that is the listed company's internal or external auditor; (b) the director is a current employee of such a firm; (c) the director has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance, but not tax planning, practice; or (d) the director or an immediate family member was within the last 3 years, but is no longer, a partner or employee of such a firm and personally worked on the listed company's audit within that time;**

- **the director or an immediate family member is, or has been within the last 3 years, employed as an executive officer of another company where any of the listed company's present executive officers at the same time serves or served on the other company's compensation committee; or**
- the director is a current employee, or an immediate family member is a current executive officer, of another company that has made payments to, or received payments from, the listed company for property or services in an amount that, in any of the last 3 fiscal years, exceeded the greater of \$1,000,000 or 2% of the other company's consolidated gross revenues.

For purposes of the categorical standards, immediate family member includes a director's spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, and anyone, other than any domestic employee, who shares the director's home.

Applying the categorical independence standards, our Board of Directors has affirmatively determined that each of Messrs. Cheit, Cusumano, Louras and Williams, Ms. Chatman and Ms. MacGillivray is independent under the New York Stock Exchange corporate governance rules, in that none of them has a material relationship with us, either directly or as a partner, shareholder, officer or employee of an organization that has a relationship with us. Our other directors, Messrs. Simpson and Fitzmyers, are not independent. In making its determination, our Board of Directors considered all relevant facts and circumstances, including commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, and considered the issue not merely from the standpoint of a director, but also from that of persons or organizations with which a director has an affiliation.

#### **Attendance at Meetings**

Our Board of Directors held 10 meetings in 2007. Its committees held a total of 24 meetings in 2007, including 7 meetings of the Audit Committee, 7 meetings of the Compensation Committee and 10 meetings of the Governance and Nominating Committee. Each director attended at least 75% of the meetings of our Board of Directors and at least 75% of the meetings of the committees on which he or she served in 2007. All of our directors attended the annual meeting of our stockholders in 2007, although we do not have a policy that requires our directors to attend the annual meeting of stockholders.

#### **Meetings of Independent Directors**

Our independent directors meet at regularly scheduled executive sessions without other members of management. The independent directors elect one of their number to preside over each such meeting to allow each of them an opportunity to preside.

#### **Communications with our Board of Directors**

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We encourage stockholders and interested parties to communicate any concerns or suggestions directly to the independent members of our Board of Directors, by writing to:

Board of Directors

Simpson Manufacturing Co., Inc.

P.O. Box 1394

Alamo, CA 94507-7394

**OUR BOARD RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF THOMAS J FITZMYERS, EARL F. CHEIT AND BARRY LAWSON WILLIAMS, THE THREE NOMINEES FOR DIRECTOR AT THIS MEETING.**

**PROPOSAL NO. 2**

**AMENDMENT AND RE-APPROVAL OF OUR  
EXECUTIVE OFFICER CASH PROFIT SHARING PLAN**

At the annual meeting, we will ask our stockholders to approve our amended Executive Officer Cash Profit Sharing Plan. Our Board of Directors adopted our Executive Officer Cash Profit Sharing Plan on January 14, 2003, and our stockholders approved it on March 31, 2003. Our Board of Directors amended it on February 25, 2008.

Our Executive Officer Cash Profit Sharing Plan is designed to provide bonuses that qualify as performance-based compensation under section 162(m) of the Internal Revenue Code of 1986 and the regulations and interpretations thereunder. Under Internal Revenue Code section 162(m), we may not deduct from our income for federal income tax purposes compensation in excess of \$1,000,000 that we pay in any one year to any of our employees who is treated as a covered employee pursuant to section 162(m), as amended and as interpreted in Treasury Regulations and notices or other rulings issued by the Internal Revenue Service. This \$1,000,000 limit does not, however, apply to compensation that we pay under a plan approved by our stockholders, if the compensation is performance-based. Our Executive Officer Cash Profit Sharing Plan allows us to deduct performance-based incentive compensation that we pay to each of our covered employees in excess of the \$1,000,000 limit.

In 2007, the Internal Revenue Service re-interpreted its definition of covered employee. The amendment to our Executive Officer Cash Profit Sharing Plan that you will consider at the annual meeting changes the definition to conform to the new Internal Revenue Service interpretation. Before the amendment, our Executive Officer Cash Profit Sharing Plan defined covered employee generally as the chief executive officer and the four highest compensated officers for the taxable year (other than the chief executive officer), as determined by the Compensation Committee pursuant to applicable rules of the Securities and Exchange Commission. The amendment defines covered employee as any of our employees who is treated as a covered employee pursuant to section 162(m), as amended and as interpreted in Treasury Regulations and notices or other rulings issued by the Internal Revenue Service. The recent Internal Revenue Service re-interpretation narrows the definition of covered employee to exclude the principal financial officer, but the Compensation Committee decided that our Chief Financial Officer will continue to participate in our Executive Officer Cash Profit Sharing Plan. We intend by this amendment both to conform our Executive Officer Cash Profit Sharing Plan with the current Internal Revenue Service interpretation and to have it adjust without further amendment to future interpretations.

We have maintained a Cash Profit Sharing Plan as part of our compensation package for qualified employees for over 25 years. We adopted our Executive Officer Cash Profit Sharing Plan to parallel our Cash Profit Sharing Plan, the only differences being those necessary to conform to the requirements of section 162(m) for the bonuses to be fully deductible. See Executive Compensation Summary Compensation Table and Executive Compensation Process and Procedures for Consideration and Determination of Executive and Director Compensation Non-Equity Incentive Plan Compensation. The Executive Officer Cash Profit Sharing Plan, as amended, will continue to provide for bonuses for our Named Executive Officers on the same terms as have been available under the Executive Officer Cash Profit Sharing Plan prior to its amendment and will continue to enable us to deduct fully, for federal income tax purposes, bonuses paid to our covered employees under the Executive Officer Cash Profit Sharing Plan. The Executive Officer Cash Profit Sharing Plan does not allow us to pay any awards greater than \$2,500,000 to any covered employee in any year.

Our Board of Directors has delegated the administration of our Executive Officer Cash Profit Sharing Plan to its Compensation Committee, which comprises Barry Lawson Williams, Chairman, Jennifer A. Chatman, Gary M. Cusumano and Peter N. Louras, Jr. The members of the Compensation Committee are (a) non-employee directors, which means directors who satisfy the requirements established by the Securities and Exchange Commission for non-employee directors under Rule 16b-3, and (b) outside directors, which means directors who satisfy the requirements established under Internal Revenue Code section 162(m). Our Board of Directors appoints the members of the Compensation Committee for indefinite terms and may remove any of them from the Compensation Committee at any time. Subject to the oversight of our Board of Directors,



the Compensation Committee has the sole discretion and authority to administer and interpret the Executive Officer Cash Profit Sharing Plan in accordance with Internal Revenue Code section 162(m).

The Compensation Committee determines the amount of the award that each of our Named Executive Officers, is eligible to receive under the Executive Officer Cash Profit Sharing Plan each fiscal quarter. The Compensation Committee bases each determination of the awards on a percentage of the amount by which net profits, as defined by the Compensation Committee, of the entire company or a branch or subsidiary for a fiscal quarter exceed a qualifying level of net profits for the entire company or branch or subsidiary, respectively, for that fiscal quarter. The Compensation Committee bases qualifying levels on the value of net operating assets of the entire company, the branch or the subsidiary, multiplied by a rate of return on those assets. The Compensation Committee bases individual percentages on job function. See Executive Compensation Compensation Discussion and Analysis and Executive Compensation Process and Procedures for Consideration and Determination of Executive and Director Compensation Non-Equity Incentive Plan Compensation. The Compensation Committee has discretion to reduce or eliminate any award under the Executive Officer Cash Profit Sharing Plan.

The Compensation Committee may at any time amend the Executive Officer Cash Profit Sharing Plan, subject in some cases to the approval of our stockholders, or terminate the Executive Officer Cash Profit Sharing Plan.

Under present federal income tax law, participants realize ordinary income equal to the amount of the award received in the year of receipt. We are entitled to deduct from our taxable income the amount constituting ordinary income to the participant, as long as the Executive Officer Cash Profit Sharing Plan satisfies the requirements of Internal Revenue Code section 162(m). As described above, Internal Revenue Code section 162(m) limits the deductibility of compensation not based on performance that is paid to certain corporate executives. We intend to administer the Executive Officer Cash Profit Sharing Plan, as amended, in a manner that, under Internal Revenue Code section 162(m), maximizes the deductibility of compensation that we pay.

A copy of the Executive Officer Cash Profit Sharing Plan, as amended, is attached to this Proxy Statement as Exhibit A and is incorporated herein by this reference. The foregoing description of the Executive Officer Cash Profit Sharing Plan is qualified in its entirety by reference to Exhibit A attached hereto.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF THE SIMPSON MANUFACTURING CO., INC. EXECUTIVE OFFICER CASH PROFIT SHARING PLAN, AS AMENDED AND ATTACHED AS EXHIBIT A.**

### **PROPOSAL NO. 3**

#### **AMENDMENT AND RE-APPROVAL OF THE SIMPSON MANUFACTURING CO., INC.**

#### **1994 STOCK OPTION PLAN**

At the annual meeting, we will ask our stockholders to consider a proposal to amend and re-approve the Simpson Manufacturing Co., Inc. 1994 Stock Option Plan. Periodic re-approval is required by Internal Revenue Code section 162(m) for stock options granted under the 1994 Stock Option Plan to continue to qualify for favorable tax treatment under Internal Revenue Code 162(m). As discussed above (see Proposal No. 2), section 162(m) allows us to deduct from our taxable income performance-based compensation paid to any of our covered employees in excess of \$1,000,000. In addition, the Compensation Committee of our Board of Directors amended the 1994 Stock Option Plan on February 13, 2008, to



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conform to recently adopted requirements of Internal Revenue Code section 409A, and our stockholders will be asked at the annual meeting to approve this amendment.

The 1994 Stock Option Plan was last amended on October 21, 2002, and was last approved by our stockholders on March 31, 2003. Our Board of Directors believes that this amendment and re-approval of the 1994 Stock Option Plan is in the best interests of your Company.

By affording our qualified employees, directors and consultants the opportunity to buy shares of our common stock, we intend the 1994 Stock Option Plan to enhance our ability to retain the services of persons who are now employees, directors or consultants, to secure and retain the services of new employees, directors and consultants, and to provide incentives for such persons to exert maximum efforts for our success.

Our Board of Directors has delegated the administration of the 1994 Stock Option Plan to the Compensation Committee. The Compensation Committee administers the 1994 Stock Option Plan (as its manager and not as its trustee) and determines

- who will be granted options,
- when and how each option will be granted,
- whether an option will be an incentive stock option or a nonstatutory stock option,
- the provisions of each option, including the time or times the option may be exercised, and
- the number of shares for which an option is granted.

The Compensation Committee also construes and interprets the 1994 Stock Option Plan and the options granted under it and establishes, amends and revokes rules and regulations concerning the administration of the 1994 Stock Option Plan.

Participation in the 1994 Stock Option Plan is open to our employees, directors and consultants selected by the Compensation Committee on the basis of their past and anticipated future contributions. We may grant a participant incentive stock options only if the participant is an employee, but we may grant any participant a nonstatutory stock option. The exercise price per share of each option (whether an incentive stock option or a nonstatutory option) must be at least 100% of the fair market value of a share of our common stock when we grant the option. In addition, we cannot grant a participant who owns stock representing more than 10% of the voting power of all classes of our stock an option under the 1994 Stock Option Plan, unless the per-share exercise price of that option is at least 110% of the fair market value of a share of our common stock when we grant the option and the period when the option is exercisable is within 5 years after we grant the option.

The Compensation Committee determines the terms of each option that we grant to a participant under our 1994 Stock Option Plan. The date or dates on which an option becomes exercisable may be based on performance or other criteria, but no option may be exercised more than 10 years from its grant. The Compensation Committee may divide the number of shares of our common stock subject to an option under the 1994 Stock Option Plan into periodic installments, with the option becoming exercisable ( vesting ) during each installment period with respect to the shares allotted to that period. The vesting provisions may vary among options. At the discretion of the Compensation Committee, we may give an optionee the right to exercise the option before it vests. In that case, we will have the right to repurchase from the optionee, at the exercise price, any shares that the optionee purchases by exercising an unvested option. This repurchase right lapses at a rate equivalent to the vesting rate, starting when we grant the option. In general, if we allow an optionee to purchase shares under an unvested option and the optionee later ceases to be one of our employees, directors or consultants, we have 90 days from the date of such cessation to exercise our repurchase right.

Generally, options that the Compensation Committee grants under the 1994 Stock Option Plan vest (become exercisable) in increments over 4 years. Our Board of Directors has, however, resolved to accelerate the vesting of options in 2 situations. First, when an employee who has reached age 60 ceases to be employed by us, the employee's option will fully vest at that time. Second, all outstanding options under the 1994 Stock Option Plan will fully vest, and must be exercised, on a change in control of Simpson Manufacturing Co., Inc. For this purpose, we define

a change in control as one of the following:

- a merger or consolidation in which we are not the surviving corporation, if the surviving corporation refuses to assume or continue our options, or to substitute similar options, or our options do not otherwise continue in effect,
- a reverse merger in which we are the surviving corporation, but as part of the merger the outstanding shares of our common stock convert into other securities, cash or other property, if the surviving

corporation refuses to assume or continue our options, or to substitute similar options, or our options do not otherwise continue in effect, or

- the dissolution or liquidation of Simpson Manufacturing Co., Inc.

Both of these acceleration provisions apply to all participants in our 1994 Stock Option Plan, including our Named Executive Officers.

Several conditions apply to incentive stock options generally, in accordance with the Internal Revenue Code. If we grant an incentive stock option, the special federal income tax treatment accorded to incentive stock options (discussed below) is available only if

- the optionee does not sell the shares received on exercise of the option until at least 2 years after we grant the option and 1 year after its exercise, and
- we employ the optionee at all times from the date the option is granted to 3 months before the exercise of the option.

In addition, to the extent that incentive stock options granted under the 1994 Stock Option Plan that vest in any year allow an optionee to acquire our common stock with a fair market value of more than \$100,000, those incentive stock options are treated as nonstatutory stock options.

We have granted the following options under the 1994 Stock Option Plan, all nonstatutory stock options, to the following persons in the amounts and at the exercise prices indicated:

Name and Title of Person or Description of Group	Year	Number of Shares Subject to Option	Exercise Price Per Share	Expiration Date
Stephen P. Eberhard President and Chief Executive Officer, Simpson Dura-Vent Company, Inc.	1993	31,064	\$ 0.91	03/03/01
	1994	36,280	2.88	05/24/01
	1994	13,000	2.56	02/13/02
	1995	13,000	3.38	12/11/02
	1996	5,000	5.75	12/31/03
	1997	5,000	8.33	12/31/04
	1998	5,000	9.36	12/31/05
	1999	6,000	10.94	12/31/06
	2002	10,000	16.45	12/31/09
	2003	10,000	25.43	12/31/10
2004	16,000	34.90	12/31/11	
Thomas J Fitzmyers President, Chief Executive Officer and Director	1993	126,000	\$ 0.91	03/03/01
	1994	828,440	2.88	05/24/01
	1994	18,000	2.56	02/13/02
	1996	18,000	5.75	12/31/05
	1997	18,000	8.33	12/31/04
	1998	18,000	9.36	12/31/05
1999	18,000	10.94	12/31/06	

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	2002	18,000		16.45	12/31/09
	2003	18,000		25.43	12/31/10
	2004	9,000		34.90	12/31/11
	2005	9,000		40.72	01/25/13
Michael J. Herbert	2002	110,000	\$	16.45	12/31/09
Chief Financial Officer,	2003	110,000		25.43	12/31/10
Treasurer and Secretary	2004	4,000		34.90	12/31/11
	2005	4,000		40.72	01/25/13

Name and Title of Person or Description of Group	Year	Number of Shares Subject to Option	Exercise Price Per Share	Expiration Date
Phillip Terry Kingsfather President, Simpson Strong-Tie Company Inc.	1993	10,356	\$ 0.91	03/03/01
	1994	5,532	2.88	05/24/01
	1994	2,000	2.56	02/13/02
	1995	2,000	3.38	12/31/02
	1996	2,000	5.75	12/31/03
	1997	2,000	8.33	12/31/04
	1998	8,000	9.36	12/31/05
	1999	2,000	10.94	12/31/06
	2002	2,000	16.45	12/31/09
	2003	8,000	25.43	12/31/10
	2004	33,000	34.90	12/31/11
2005	33,000	40.72	01/25/13	
2006	2,000	33.62	02/01/14	
Barclay Simpson Chairman of the Board	1994	2,000	2.56	02/13/00
	1996	2,000	6.33	12/31/01
	1997	2,000	9.16	12/31/02
	1998	2,000	10.30	12/31/03
	1999	2,000	12.03	12/31/04
	2002	2,000	18.10	12/31/07
	2003	2,000	27.98	12/31/08
	2004	1,000	38.39	12/31/09
2005	1,000	44.79	01/25/11	
Current Executive Officers, as a Group	various	1,604,672	0.91-44.79	03/03/01- 02/01/14
Current Directors Who Are Not Executive Officers, as a Group*				
Employees and Consultants Who Are Not Executive Officers, as a Group	various	7,644,644	0.91-44.79	3/03/01- 02/12/15

\* Our independent directors do not participate in our 1994 Stock Option Plan, but instead participate in our 1995 Independent Director Stock Option Plan. See Executive Compensation Director Compensation 1995 Independent Director Stock Option Plan.

The closing market price of a share of our common stock, as reported by the New York Stock Exchange on February 25, 2008, was \$25.00.

In general, on exercising an option granted under the 1994 Stock Option Plan, the optionee must pay us the exercise price in cash. The Compensation Committee has discretion to allow the optionee to pay the exercise price, either at the time the option is granted or when the optionee exercises it, by delivering shares of our common stock to us, or according to a deferred payment arrangement, or in some other manner. If the Compensation Committee allows the optionee to defer payment for the exercise of an option, we charge the optionee interest at least annually on the deferred amount at the minimum rate that avoids characterization of any of the exercise price as interest under the Internal Revenue Code or, if less, at the maximum rate permitted by law.

The grant of a nonstatutory stock option under the 1994 Stock Option Plan should not have any federal income tax consequences. On exercising a nonstatutory stock option, the optionee generally recognizes taxable ordinary income equal to the excess of (a) the fair market value of the shares of our common stock purchased on such exercise, over (b) the option exercise price for those shares. We generally must withhold tax from the optionee's regular or supplemental wages based on the amount of

ordinary income that the optionee recognizes and we are generally entitled to a business expense deduction in that amount. To the extent provided in an option, the optionee may satisfy the withholding obligation by paying cash, by authorizing us to withhold shares from the shares the optionee would otherwise receive on exercising the option, or by delivering to us shares of our common stock that the optionee already owns.

When an optionee sells shares acquired by exercising a nonstatutory stock option, the optionee recognizes capital gain or loss equal to the difference between the selling price for those shares and the fair market value of the shares when the optionee exercises the option. If the optionee holds the shares for a year or more after exercising the nonstatutory option (not including the time the optionee holds the option before exercising it), any gain on the sale of those shares is long-term capital gain. An optionee's sale of shares acquired on exercise of a nonstatutory stock option has no tax consequences to us.

The grant of an incentive stock option under the 1994 Stock Option Plan generally has no federal income tax consequences to the optionee. Similarly, the optionee should not recognize any income on exercising an incentive stock option. The optionee recognizes income with respect to an incentive stock option when the optionee sells the shares acquired on exercise of the option, and the optionee then generally recognizes capital gain or loss equal to the difference between the selling price and the option exercise price for those shares. This federal income tax treatment is available, however, only if the optionee does not sell the shares acquired on exercise of an incentive stock option until at least 2 years after the option grant and at least 1 year after the option exercise. If an optionee sells the shares before holding them for the required period (a disqualifying disposition), the shares are treated similarly to shares acquired through the exercise of a nonstatutory stock option—the optionee generally recognizes as ordinary income in the year of the sale the excess of the fair market value of the shares when the optionee exercises the option over the option exercise price for those shares, and recognizes as capital gain the excess, if any, of the selling price over the fair market value of the shares when the optionee exercises the option. If an optionee sells the shares before holding them for the required period at a price less than fair market value of the shares when the optionee exercises the option, the optionee recognizes ordinary income equal to the excess, if any, of the amount realized on the sale over the exercise price. In case of a disqualifying disposition, we generally can take a business expense deduction in an amount equal to the amount the optionee recognizes as ordinary income.

Exercise of an incentive stock option may have implications with respect to alternative minimum tax. After calculating regular tax liability, a taxpayer must determine whether he or she owes alternative minimum tax by recalculating his or her tax by disallowing certain deductions and adding certain items to income. The alternative minimum tax calculation requires an optionee to include in income the excess of the fair market value of the shares at the time of exercise over the option exercise price, potentially resulting in federal tax of up to 28% on such amount.

Currently, the maximum marginal federal income tax rate on an individual's net long-term capital gains is 15% and on an individual's ordinary income is 35%. Because an individual may deduct up to \$3,000 of net capital losses in any year, it may be advantageous to characterize gain as long-term capital gain if the optionee has capital losses from other investments.

If an optionee under the 1994 Stock Option Plan ceases to be our employee, director or consultant for a reason other than disability or death, the optionee may exercise an option he or she holds under the 1994 Stock Option Plan, to the extent that such option is vested on the date of such cessation, at any time during the period ending on the earlier of (a) the 90th day after such cessation (or such longer or shorter period as is specified in the option, which must be at least 30 days), and (b) the date that the option expires. If the optionee does not exercise the option within that time, the option terminates and the optionee forfeits the right to exercise it. Any option or portion of an option that is not vested when the optionee ceases to be our employee, director or consultant terminates on that date and cannot be exercised thereafter.

If an optionee ceases to be our employee, director or consultant because the optionee becomes disabled, the optionee may exercise an option granted to the optionee under the 1994 Stock Option Plan, to the extent that such option is vested on the date of such cessation, within the period ending on the earlier of (a) the first anniversary of such cessation (or such longer or shorter period as is specified in the option,





which must be at least 6 months), and (b) the date that the option expires. If the optionee does not exercise the option within that time, the option terminates and the optionee forfeits the right to exercise it. Any option or portion of an option that is not vested when the optionee ceases to be our employee, director or consultant terminates on that date and may not be exercised thereafter.

If an optionee under the 1994 Stock Option Plan dies while serving as our employee, director or consultant or within a period specified in the option after ceasing to be our employee, director or consultant, the optionee's estate or the person who inherits the option may exercise it, to the extent that the option is vested at the time of death, within the period ending on the earlier of (a) the 180th day after the first anniversary of the optionee's death (or such longer or shorter period as is specified in the option, which must be at least 6 months), and (b) the date that the option expires. If the option is not exercised within that time, it terminates and may not be exercised. Any option or portion of an option that has not vested at the date of death terminates on that date and may not be exercised.

Notwithstanding the termination, disability or death of an optionee, the Compensation Committee may extend the expiration date of any outstanding option as the Compensation Committee considers appropriate, but not beyond the expiration date of the option as set forth in the option agreement.

An optionee may not, during his or her lifetime, sell, assign, transfer, pledge, hypothecate or otherwise dispose of an option granted under the 1994 Stock Option Plan, whether by operation of law or otherwise, except by will or the laws of descent and distribution applicable to the optionee. An option granted under the 1994 Stock Option Plan also may not be made subject to execution, attachment or similar process. Nevertheless, the Compensation Committee has discretion when granting an option or thereafter to permit the optionee to transfer the option to a trust or other entity established by the optionee for estate planning purposes. The Compensation Committee also has discretion to permit other transfers or impose conditions or limitations on any permitted transfer. Otherwise, only the person to whom we grant an option may exercise it during his or her lifetime.

The Compensation Committee may suspend or terminate the 1994 Stock Option Plan at any time. Unless the Compensation Committee terminates it earlier, the 1994 Stock Option Plan will terminate on May 28, 2012. We will not grant any options under the 1994 Stock Option Plan after it is terminated. Options outstanding when the 1994 Stock Option Plan is terminated, however, may be exercised after the termination of the 1994 Stock Option Plan, according to the vesting schedules of the options, until the end of the exercise period of the options as determined under the options. The Compensation Committee may amend the 1994 Stock Option Plan at any time, subject in some cases to the approval of our stockholders.

The 1994 Stock Option Plan is not subject to any provisions of the Employee Retirement Income Security Act of 1974, as amended, and is not qualified under Internal Revenue Code section 401(a).

For an optionee under the 1994 Stock Option Plan who is not our affiliate (that is, a director, executive officer or other person controlling, controlled by or under common control with the us), there are no restrictions on the optionee's sale of the shares purchased on exercising an option under the 1994 Stock Option Plan. An optionee who is our affiliate may not sell shares of our common stock that the optionee acquires on exercise of an option, unless the resale is registered under the Securities Act of 1933, as amended, or the sale is made pursuant to an applicable exemption from registration, including pursuant to Rule 144 under the Securities Act of 1933. In general, under Rule 144 as currently in effect, an affiliate would be entitled to sell shares of our common stock in brokers' transactions, transactions with market makers or in qualifying riskless principal transactions within any 3 month period in an amount that does not exceed the greater of (a) 1 percent of the then outstanding shares of our common stock and (b) the average weekly trading volume of our common stock on the New York Stock Exchange during the 4 calendar weeks preceding the date on which notice of the sale is filed with the Securities and Exchange Commission. Sales under Rule 144 are also subject to notice requirements and the availability of current public information about Simpson Manufacturing Co., Inc. We may, in our discretion, register for resale the shares of our common stock that are subject to the 1994 Stock Option Plan by filing a post-effective

amendment to the registration statement on Form S-8 relating to the 1994 Stock Option Plan to add a

reoffer prospectus on Form S-3, after which resales of shares acquired on exercise of options under the 1994 Stock Option Plan would no longer be subject to the limitations of Rule 144.

Section 409A was added to the Internal Revenue Code in 2004. Section 409A generally provides that deferred compensation that does not satisfy the requirements of section 409A is taxable to the recipient when it vests and is subject to an additional penalty of 20% of the deferred compensation. Treasury Regulations under section 409A provide that incentive stock options and nonstatutory options that are issued to purchase stock generally are not treated as deferred compensation arrangements subject to section 409A, if the exercise price of the options may never be less than the fair market value of the underlying stock when the options are granted. This amendment of the 1994 Stock Option Plan is intended to cause options granted under the 1994 Stock Option Plan not to be subject to section 409A.

A copy of the 1994 Stock Option Plan, as amended, is attached to this Proxy Statement as Exhibit B and is incorporated herein by this reference. The foregoing description of the 1994 Stock Option Plan is qualified in its entirety by reference to Exhibit B attached hereto.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF THE SIMPSON MANUFACTURING CO., INC. 1994 STOCK OPTION PLAN, AS AMENDED AND ATTACHED AS EXHIBIT B.**

**PROPOSAL NO. 4**

**RATIFICATION OF SELECTION OF INDEPENDENT**

**REGISTERED PUBLIC ACCOUNTING FIRM**

Our Board of Directors has selected PricewaterhouseCoopers LLP as the principal independent registered public accounting firm to audit our internal controls over financial reporting and financial statements for 2008. You will be asked to ratify that selection. PricewaterhouseCoopers LLP has audited our financial statements since before our initial public offering in 1994. A PricewaterhouseCoopers LLP representative will be present at the meeting, will be given an opportunity to make a statement at the meeting if he or she desires to do so, and will be available to respond to appropriate questions.

**OUR BOARD RECOMMENDS THAT YOU VOTE FOR RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP.**

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

The overall philosophy of our compensation program is to provide a high degree of incentive to employees by creating programs that reward achievement of specific profit goals. We believe that these incentive programs, based on profit targets, align the interests of employees and stockholders, allow us to attract high performing employees and help us retain the services of employees whose contributions are instrumental in achieving our goals. Historically, as a means of creating a sense of unity and cooperation among our employees, we have not had any special compensation plans for executive officers. Our Named Executive Officers are at-will employees. We do not have a written employment contract with any of them and we generally do not offer any severance benefits. We or the officer can terminate the employment relationship at any time, for any reason, with or without cause.

The primary objective of our overall compensation program is to motivate our Named Executive Officers and other officers and employees to increase stockholder value and fairly compensate them relative to our achievement of that objective. To retain their services, some portion of their compensation, in the form of salary and profit sharing trust contributions, must compensate them for their own investment of time, regardless of the performance of our businesses. Each element of the compensation of our Principal Executive Officer, our Principal Financial Officer and our 3 other most highly compensated executive officers (who we call our Named Executive Officers ) and other officers and employees possesses characteristics intended to motivate them in different ways. We believe that coordinating the compensation elements helps us to retain the services of our Named Executive Officers and other key employees and to motivate them to achieve results that increase the value of our common stock. The following is an analysis of the basic elements of our compensation program.

The Compensation Committee of our Board of Directors believes that the forms of compensation for our Named Executive Officers generally should match those of all of our salaried employees. Our compensation program comprises 4 basic elements:

- salary,
- payments to our defined contribution profit sharing plan,
- cash profit sharing, and
- stock options.

### *Comparative Market Information*

As part of the process for determining salary increases and short-term cash incentive opportunities in 2007, the Compensation Committee engaged Semler Brossy Consulting Group, LLC in 2007 to perform an analysis of our compensation policies and to identify benchmarks against which to compare our Named Executive Officers' 2007 compensation. One of our Named Executive Officers, Stephen B. Lamson, was excluded from this study because he planned to retire mid-2007. Semler Brossy Consulting Group, LLC issued a report in April 2007, using data from two general industry surveys as benchmarks: a 2006 Confidential Survey of Executive Compensation and the 2006 Mercer Benchmark Database Executive Positions. Semler Brossy Consulting Group, LLC represented to the Compensation Committee that participants in both surveys

reflected a broad group of general industries ranging in size from less than \$500 million to more than \$10 billion in revenue, and that the data were size-adjusted to be comparable to our size using statistical analyses. The Compensation Committee did not consider the component companies underlying the survey data, because the Compensation Committee believes that the surveys provided a fair representation of market trends and general comparative information. For 2007, the Compensation Committee did not specifically target, or benchmark, the amount of each element of compensation that we paid to the Named Executive Officers to any particular percentile or level within the comparative market survey information. For 2008, as in 2007, the Compensation Committee did not specifically target, or benchmark, any of the elements of compensation to any particular percentile or level within the comparative market survey information.

*Salary and Profit Sharing Trust Contributions*

Base salary is a guaranteed minimum amount for performing the functions of the job, but salary alone provides no additional performance opportunity or motivation to increase value over the long term. Our Compensation Committee determines the salaries for all of our Named Executive Officers using historical salary levels for their positions and adjustments for changes in cost of living and responsibilities. We consider our salary levels sufficient to motivate our Named Executive Officers to perform the basic functions of their jobs, although, we believe that our salary levels are set below those of comparable companies because we believe that it is more effective to have a higher proportion of our compensation in the form of incentives. A comparison of our Chief Executive Officer's 2007 salary with the benchmarks identified in the Semler Brossy Consulting Group, LLC report is as follows:

Position	Simpson	General Industry Survey	
		25 <sup>th</sup> Percentile	Median
President & CEO	\$ 317,000	\$ 560,000	\$ 679,000

The salaries for the other Named Executive Officers are substantially below the 25<sup>th</sup> percentile of the general industry survey mentioned above, except that the salary of the President and Chief Executive Officer of Simpson Dura-Vent Company, Inc. was at the 25<sup>th</sup> percentile. As a result, the Compensation Committee believes that our Chief Executive Officer's and the other Named Executive Officers' salaries are fair relative to salaries of their peers, given the other elements of our compensation program, even though these salaries are generally lower than those paid by companies in the general industry survey. With the exception of Barclay Simpson's salary, which has not increased since before our initial public offering in 1994, our Named Executive Officers' salaries have historically increased an average of about 3% per year.

We make contributions to our profit sharing trust for our Named Executive Officers in amounts equal to 15% of their base salaries, up to the amounts that we are allowed to deduct from income under Internal Revenue Code section 404(a). In addition, all employees are entitled to a proportionate share of forfeited contributions from employees who terminate their employment before fully vesting in the profit sharing plan. The Compensation Committee views these contributions and forfeitures as serving a similar objective as salaries.

*Executive Officer Cash Profit Sharing Plan*

To achieve the goal of long-term stock price appreciation, the Compensation Committee believes that compensation that is based on profitability or stock price performance needs to incorporate both short-term and long-term elements. The short-term element is our Executive Officer Cash Profit Sharing Plan. Under our Executive Officer Cash Profit Sharing Plan we pay incentive compensation out of the portion of our profits that exceeds a specified return on qualified assets. At the beginning of each year, the Compensation Committee reviews and approves the quarterly operating profit goals for the year, the rate of return on qualified assets, and the percentage participation of each of our Named Executive Officers. The Compensation Committee generally defines the quarterly operating profit goal for the relevant profit center, which may be Simpson Manufacturing Co., Inc. as a whole or one of our subsidiaries, as:

Income from operations of the relevant profit center

Plus: Stock compensation charges

**Attendance at Meetings**

Certain incentive compensation and commissions  
Salaried pension contributions  
Self-insured workers' compensation costs

Equals: Operating profit

The adjustments to income from operations are not within our officers' control.



The Compensation Committee bases qualifying levels on the value of the relevant profit center's net operating assets, multiplied by a rate of return on those assets. We generally determine the return on assets as follows:

Average assets, net of specified liabilities, for the 3 months ended on the last day of the second month of the quarter

Less:	Cash
	Real estate
	Self-insured workers' compensation reserves
Multiplied by:	Specified return on asset percentage for the relevant profit center
Equals:	Qualifying level

The Compensation Committee bases individual percentages of participation on job function. The Compensation Committee has discretion to reduce or eliminate any award under our Executive Officer Cash Profit Sharing Plan, but the percentage of the qualifying level that each officer receives generally does not change during the year, except for minor changes when other participants enter or leave the pool during the year. We do not guarantee any minimum payments to our Named Executive Officers under our Executive Officer Cash Profit Sharing Plan. We may not pay more than \$2.5 million per year to a Named Executive Officer under our Executive Officer Cash Profit Sharing Plan. We believe that our Executive Officer Cash Profit Sharing Plan motivates our Named Executive Officers to maximize our short-term profits and rewards them when those profits are realized.

In 2007, the Compensation Committee approved the profitability goals for our Executive Officer Cash Profit Sharing Plan before we received the results of the Semler Brossy Consulting Group, LLC report. Therefore, the Compensation Committee did not specifically target, or benchmark, the amount of short-term incentive compensation to be paid to our Named Executive Officers for achieving our profitability goals to any particular percentile or level within the general industry survey.

In 2008, as in 2007, the Compensation Committee did not specifically target, or benchmark, the amount of short-term incentive compensation to be paid to our Named Executive Officers to any particular percentile or level within the general industry survey. The total cash compensation that the Compensation Committee set for meeting our profitability goals for 2008 is lower than the total cash compensation set for 2007 to correspond to the lower profitability goals for 2008 than for 2007, because the Compensation Committee expected softness in the construction and home-building industry in 2008.

Based on our operating profit goal for each of the 4 quarters of 2008, our officers may receive a payout after our quarterly earnings are announced to the public. If the operating profit is lower or higher than the targeted operating profit, the payout will be correspondingly lower or higher, but we generally do not make any payment when the operating profit is less than the qualifying level.

For 2008, the operating profit goals, qualifying levels and targeted payouts for each of our Named Executive Officers are as follows:

	<b>Operating Profit Goal</b>	<b>Qualifying Level</b>	<b>Targeted Payout</b>
Thomas J Fitzmyers	\$ 162,509,000	\$ 95,586,000	\$ 1,213,000
Barclay Simpson	162,509,000	95,586,000	348,000
Phillip Terry Kingsfather	161,852,000	88,392,000	650,000
Michael J. Herbert	162,509,000	95,586,000	526,000
Stephen P. Eberhard	657,000	7,194,000	

We use these parameters only to provide incentive to our officers and employees who participate in our Executive Officer Cash Profit Sharing Plan and our Cash Profit Sharing Plan. You should not draw any inference whatsoever from these parameters about our future financial performance. You should not take these parameters as projections or guidance of any kind.

For 2007, the operating profit goals, the qualifying level and the targeted payout that we presented in last year's proxy statement are reprinted below, along with the amounts that we paid to our Named Executive Officers for 2007.

	<b>Operating Profit Goal</b>	<b>Qualifying Level</b>	<b>Targeted Payout{1}</b>	<b>Actual Payout</b>
Thomas J Fitzmyers	\$ 206,046,000	\$ 76,872,000	\$ 2,310,000	\$ 1,529,457
Michael J. Herbert	206,046,000	76,872,000	620,000	410,645
Barclay Simpson	206,046,000	76,872,000	663,000	439,347
Phillip Terry Kingsfather	196,946,000	69,966,000	633,000	570,562
Stephen B. Lamson{2}	196,946,000	69,966,000	1,349,000	625,548
Stephen P. Eberhard	9,100,000	6,906,000	88,000	

{1} Amounts expected to be paid for the full year of 2007 if operating profit goals established at the beginning of the year are met and qualifying levels are as projected at the beginning of the year.

{2} Mr. Lamson's participation ended in July 2007.

#### *Stock Options*

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The Simpson Manufacturing Co., Inc. 1994 Stock Option Plan affords selected employees, directors and consultants the opportunity to own shares of our common stock, by which we intend:

- to enhance our ability to retain the services of persons who are now employees, directors or consultants,
- to secure and retain the services of new employees, directors and consultants, and
- to provide incentives for them to exert maximum efforts for our success.

While the purpose of our Executive Officer Cash Profit Sharing Plan is to motivate our Named Executive Officers to achieve short-term profit goals, we believe that compensation through the grant of stock options motivates our key employees to pursue long-term stock price appreciation.

The terms of the stock option grants were established, and have generally been consistently applied, since the 1994 Stock Option Plan was adopted, and we believe that they generally fall below the range of comparable compensation plans as indicated by the Semler Brossy Consulting Group, LLC report. Under our 1994 Stock Option Plan, we grant non-qualified stock options that have 7-year terms, except for those we grant to Barclay Simpson, which have 5-year terms. Each stock option has an exercise price equal to the contemporaneous closing market price, except for options we grant to Barclay Simpson, which have exercise prices that are 110% of the contemporaneous closing market prices. Stock options granted to Named Executive Officers vest annually over the first 4 years at a rate of 25% per year. Stock option grants for every employee, including a Named Executive Officer, will become fully vested if the employee ceases to be employed by us after reaching age 60. We believe that this allows employees, who have made substantial contributions during their careers, to retire without having to give up any of the value that they have earned on their previously granted stock options. We also believe that it is appropriate to accelerate the vesting of outstanding stock options on a change in control, because we do not afford other significant termination benefits to our employees. The 1994 Stock Option Plan is qualified under section 162(m) of the Internal Revenue Code of 1986.

We believe that stock options align the interests of our Named Executive Officers with the interests of our stockholders. The Named Executive Officer realizes value from a stock option only to the extent that the price of our common stock appreciates over the term of the option. We make an annual stock option grant to a Named Executive Officer only when the profit center for which he or she is responsible, which may be one of our subsidiaries or Simpson Manufacturing Co., Inc. as a whole, achieves its profitability goals for the preceding year. If we meet all applicable operating profit goals for 2008, computed as income from operations of the relevant business plus stock option charges, specified incentive compensation and commissions and salaried pension contributions, we anticipate granting stock options to our Named Executive Officers for the following numbers of shares of our common stock:

	<b>Operating Profit Goal</b>	<b>Option Grant</b>
Thomas J Fitzmyers	\$ 162,509,000	9,000 shares
Barclay Simpson	162,509,000	1,000 shares
Phillip Terry Kingsfather	161,852,000	28,000 shares
Michael J. Herbert	162,509,000	6,000 shares
Stephen P. Eberhard	657,000	16,000 shares

We use these parameters only to provide incentive to our officers and employees who participate in our 1994 Stock Option Plan. You should not draw any inference whatsoever from these parameters about our future financial performance. You should not take these parameters as projections or guidance of any kind.

The Compensation Committee targets the number of shares subject to stock option grants to all employees, including our Named Executive Officers, to approximate 1.0% to 1.3% of our total outstanding stock each year. In 2008, we granted options to purchase 40,000 shares, less than 0.1% of our outstanding common stock, out of a possible 620,000 shares that were approved by our Compensation Committee for operating profit performance during 2007. Our Chief Executive Officer and the other Named Executive Officers did not meet their operating profit goals for 2007, and we therefore did not grant any stock options to any of them in 2008. For 2008, the Compensation Committee targeted a number of shares equal to approximately 1.4% of the outstanding shares of our common stock for possible stock option grants in 2009.



The number of shares subject to stock options that we grant to each of our officers is determined by our Compensation Committee based on several factors, including position, length of service, prior stock option grants and shares of our stock owned. For example, when an employee becomes an officer, the Compensation Committee may grant to the officer an option for a number of shares that the Compensation Committee believes will afford the officer enough of an investment in our common stock to align the officer's interests with the interests of our stockholders. After the officer achieves that level of investment, the Compensation Committee generally grants stock options for fewer shares to the officer. The intent of the 1994 Stock Option Plan is to reward performance achievements with future value. The Compensation Committee does not use competitive pay benchmarks to set long-term incentives and believes that our long-term incentives are lower than competitive practice, based on the general industry survey of long-term incentives from the Semler Brossy Consulting Group, LLC report. As a result, the Compensation Committee does not consider total direct compensation, salary plus short-term and long-term incentive opportunities, in the context of competitive survey pay data.

#### *Timing of Stock Option Grants*

The Compensation Committee approves the number of shares to be granted under our 1994 Stock Option Plan and the general terms of the grant on achieving the profitability goal set at the beginning of the year. The only variable that remains after the end of the year is the determination of whether we have achieved our goals. The Compensation Committee cannot make this determination until the financial statements are prepared and the financial statement audit by our independent registered public accounting firm is substantially complete, when we publicly announce our financial results for the year. The Compensation Committee ordinarily meets to finalize the option grants on the day after, or a few days after, we announce our financial results for the year. It is our policy that the exercise price of each such option equals the closing price of our common stock reported by the New York Stock Exchange at the close of trading on the day before the meeting, which may be the day of the announcement. In 2007, the Compensation Committee met to grant the options on the day after the announcement and therefore set the exercise price at the closing price on the day of the announcement. In 2008, the Compensation Committee met to grant the options 6 days after the announcement and therefore set the exercise price at the closing price on the 5<sup>th</sup> day after the announcement. We follow this practice for all stock option grants under the 1994 Stock Option Plan, not just grants to our officers. We generally grant stock options only once each year, and do not ordinarily grant stock options at other times, such as when employees are newly hired or promoted, although the Compensation Committee has the discretion to do so.

Under our 1995 Independent Director Stock Option Plan, our Board of Directors grants options to our independent directors as of the February 15<sup>th</sup> following each year in which we achieve our operating goals. Our Board of Directors did not choose this date to coincide with the release of information and has consistently applied this procedure since we adopted the 1995 Independent Director Stock Option Plan. We did not achieve our profitability goals for 2007, and we therefore did not grant options to any of our independent Directors in 2008.

#### *Compensation and the Achievement of Operating Goals*

Before the beginning of each year, our managers and employees propose budgets for the coming year for their respective profit centers. Our senior managers, including our Named Executive Officers, review the proposed budgets, adjust these budgets as they consider appropriate, and present the budgets to our Board of Directors. Our Board of Directors then considers and approves a budget that it considers appropriate for each profit center. Based on the approved budgets, the Compensation Committee determines:

- the return on asset goals for the coming year, on which the Compensation Committee bases the qualifying income levels for both our Executive Officer Cash Profit Sharing Plan and our Cash Profit Sharing Plan; and

- the profitability goals for the coming year, on which the Compensation Committee bases stock option grants under our 1994 Stock Option Plan.

Our Board of Directors also bases stock option grants under our 1995 Independent Director Stock Option Plan on the company-wide profitability goals. Our Named Executive Officers are subject to the same standards as our other officers and employees for purposes of stock option grants under our 1994 Stock Option Plan and payments under our Executive Officer Cash Profit Sharing Plan. With the few exceptions noted in the Summary Compensation Table, we have no special programs for any of our Named Executive Officers. Our Board of Directors and its Compensation Committee aim to design the goals to be achievable, but only with considerable effort, effort the Compensation Committee believes will promote the growth and profitability of our businesses. The Compensation Committee, according to its guidelines, has discretion to increase or decrease the size of the stock option award based on factors that it deems relevant. For example, the Compensation Committee may grant an additional stock option to an employee who is promoted during the year, if the employee's profitability goal for that year is achieved. The Compensation Committee also has discretion to award stock options when the relevant goal is not achieved, but has never done so.

#### *Wealth Accumulation*

Our compensation programs for our Named Executive Officers, as well as other high-performing employees, are predominately based on quarterly and annual operating results. We believe that we should award above-average compensation for above-average performance and that we should closely tie the reward to that performance. As a result, our compensation structure allows high-performing employees the opportunity to accumulate significant wealth. A feature of our 1994 stock option plan, however, allows us to limit excess grants of stock options to certain individuals. When an employee is promoted into a key role, such as an officer of one of our subsidiaries, we may give the employee an opportunity to earn a grant of an option for a substantial number of shares if the employee meets his or her operating goals. The Compensation Committee sets limits for these employees that, when reached, are removed from their annual grant targets. For example, our Chief Financial Officer, Michael J. Herbert, earned a grant of an option to purchase 110,000 shares for each of 2002 and 2003. After Mr. Herbert achieved his goals for those 2 years and we granted the 2 options to him, the Compensation Committee reduced his subsequent grant targets to 4,000 shares per year for the following 3 years. Mr. Herbert is now eligible for grant of an option for 6,000 shares if we achieve our operating profit goals for 2008. The Compensation Committee believes that this provides appropriate incentive for selected key employees to continue to perform at a high level and avoids excessive option grants.



**Summary Compensation Table**

The table below provides information on compensation for the year ended December 31, 2007, for our Principal Executive Officer, our Principal Financial Officer and our 3 other most highly compensated executive officers. We refer to these officers as Named Executive Officers. The amounts shown include all compensation for services to us and our subsidiaries in all capacities.

Name and Principal Position	Year	Salary(\$)	Option Awards \$(1)	Non-Equity Incentive Plan Compensation\$(2)	All Other Compensation\$(3)	Total(\$)
Thomas J Fitzmyers, Our President and Chief Executive Officer	2007	326,249	100,395	1,738,321	54,288{4}	2,219,253
	2006	316,747	97,380	2,721,091	57,844{4}	3,193,062
Michael J. Herbert Our Chief Financial Officer and Secretary	2007	213,766	287,253	484,981	29,709{5}	1,015,709
	2006	186,503	443,248	614,524	29,560{5}	1,273,835
Barclay Simpson, Our Chairman of the Board	2007	150,000	11,155	535,141	23,268	719,564
	2006	150,000	10,820	1,103,927	23,841	1,288,588
Phillip T. Kingsfather, President and Chief Operating Officer of Simpson Strong-Tie Company Inc.	2007	180,250	230,148	652,764	152,187{6}	1,215,349
	2006	143,033	223,828	548,812	113,772{6}	1,029,445
Stephen P. Eberhard, President and Chief Executive Officer of Simpson Dura-Vent Company, Inc.	2007	194,940	71,428	15,959	109,157{7}	391,483
	2006	192,806	86,853	276,588	65,651{7}	621,897
Stephen B. Lamson, Our Vice President{8}	2007	112,424	66,930	850,541	32,369	1,062,264
	2006	210,141	64,920	1,614,526	32,200	1,921,787

{1} We determined the value of each stock option award by multiplying the number of shares subject to the option that vested during 2007 by the fair value per share as of the grant date for each grant beginning with January 1, 2004. We applied the Black-Scholes option pricing model to determine fair value in accordance with Statement of Financial Accounting Standards No. 123R Share Based Payment (Revised 2004), using the following assumptions:

Grant Date	Risk Free Interest Rate	Dividend Yield	Expected Life	Volatility	Exercise Price Range	Weighted Average Fair Value
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02/02/07	4.84%	1.19%	5.9 years	29.0%			\$	33.62	\$	11.11	
01/26/06	4.46%	0.79%	6.3 years	27.2%	\$	40.72	to	\$	44.79	\$	13.68
01/01/05	3.87%	0.57%	6.4 years	28.0%	\$	34.90	to	\$	38.39	\$	11.91
01/01/04	3.77%		6.4 years	29.1%	\$	25.43	to	\$	27.97	\$	9.51

In January 2005, our Board of Directors resolved to accelerate the vesting of all unvested stock options in the event of a change of control. See Grants of Plan-Based Awards below.

{2} Awards earned under our Executive Officer Cash Profit Sharing Plan are earned in 1 quarter and paid in the following quarter. The amount in this column represents all cash paid during the specified years under our Executive Officer Cash Profit Sharing Plan. No amounts are deferred or payable by their terms at a later date. See Process and Procedures for Consideration and Determination of Executive and Director Compensation Non-Equity Incentive Plan Compensation below.

{3} Includes a contribution of an amount equal to 15% of each officer's salary for the specified years to the officer's profit sharing trust account, up to the annual qualified contribution limit of \$33,000 per account, plus funds forfeited by other employees who terminated from the profit sharing trust with an unvested balance.

{4} Includes:

	2007	2006
Profit sharing trust contribution and forfeitures	\$ 34,126	\$ 33,377
Hire of aircraft	13,317	15,666
Reimbursement of personal income taxes related to hire of aircraft	6,845	8,601
Charitable gift matching contributions		200

The amount related to Mr. Fitzmyers' use of an aircraft included travel between his home and our offices and travel on our business. As the lessee of the airplane, Mr. Fitzmyers is responsible for the aircraft's maintenance and he receives a portion of each payment to the charter company for its use, whether by us or others. The total cost to us, including Mr. Fitzmyers' compensation, approximated \$213,000 in 2006 and \$345,000 in 2007. In computing the compensation cost of airplane use, we applied the Standard Industrial Fare Level tables prescribed by applicable Internal Revenue Service regulations. The independent members of our Board of Directors unanimously approved this arrangement.

{5} Includes:

	2007	2006
Profit sharing trust contribution and forfeitures	\$ 28,709	\$ 28,560
Charitable gift matching contributions	1,000	1,000

{6} Includes:

2007	2006
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Profit sharing trust contribution and forfeitures	\$	22,187	\$	18,548
Housing allowance		130,000		54,167
Reimbursement of relocation costs				30,897
Reimbursement of personal income taxes related to relocation costs				10,160

The amount related to Mr. Kingsfather's housing allowance included incremental financing and transaction costs. The independent members of our Board of Directors unanimously approved this arrangement.

{7} Includes:

		2007		2006
Profit sharing trust contribution and forfeitures	\$	28,799	\$	28,649
Automobile allowance		15,096		14,656
Reimbursement of relocation costs		48,947		16,572
Reimbursement of personal income taxes related to relocation costs		16,315		5,524
Charitable gift matching contributions				250

{8} Mr. Lamson held the position of Vice President during 2007 and retired in July 2007. We did not pay any amount for Mr. Lamson in connection with his retirement.

## **Compensation Committee**

The Compensation Committee of our Board of Directors is responsible for the development and review of our compensation policy for all of our salaried employees, including compensation in the form of stock options, and is responsible for reviewing and approving the compensation discussion and analysis for inclusion in our Annual Report on Form 10-K and our proxy statement. The Compensation Committee comprises 4 independent directors, as defined by the New York Stock Exchange Rules. In addition, the members of the Compensation Committee are both non-employee directors directors who satisfy the requirements established by the Securities and Exchange Commission for non-employee directors under Rule 16b-3 and outside directors directors who satisfy the requirements established under Internal Revenue Code section 162(m). Our Board of Directors appoints the members of the Compensation Committee for indefinite terms and may remove any member at any time. The Compensation Committee operates under a written charter, attached as Exhibit C, that our Board of Directors adopted, which is also available on our website at <http://www.simpsonmfg.com/financials/compensation.html>. We will provide a printed copy of the charter to any stockholder on request.

To assist in identifying benchmarks for the future compensation of our Named Executive Officers, the Compensation Committee has engaged the services of Semler Brossy Consulting Group, LLC. In April 2007, it issued a report encompassing all of our compensation programs for our Named Executive Officers. In the report, Semler Brossy Consulting Group, LLC identified 2 general industry surveys, the 2006 Confidential Survey of Executive Compensation and the 2006 Mercer Benchmark Database Executive Positions. In 2007, we increased by 3% the salary of each of Thomas J Fitzmyers and Phillip T. Kingsfather, but did not increase Barclay Simpson's salary. We also increased the annual salaries of Michael J. Herbert and Stephen P. Eberhard by 10% and 5%, respectively, in 2007. We increased the 2008 salaries for each of our Named Executive Officers by 3%, except that we did not increase Barclay Simpson's salary.

The Compensation Committee does not delegate its duties of determining executive officer compensation. Our officers do, however, participate in our annual budgeting process, which forms the basis for the Compensation Committee's determination of operating profit goals used for determining qualifying income for our cash profit sharing plans and whether we grant stock options. The Board of Directors, in its entirety, is responsible for reviewing and approving the annual budget.

## **Compensation Committee Interlocks and Insider Participation**

The Compensation Committee of our Board of Directors comprises Barry Lawson Williams, Chairman, Jennifer A. Chatman, Gary M. Cusumano and Peter N. Louras, Jr., all of whom are independent directors. Mr. Williams, Ms. Chatman, Mr. Cusumano and Mr. Louras have no relationships with us or any of our subsidiaries, other than as members of our Board of Directors and its committees.

In March 2007, we appointed Gerald Hagel, as a vice president of Simpson Strong-Tie Company Inc. Mr. Hagel is the co-lessor of the property that we lease in Addison, Illinois. Simpson Strong-Tie Company Inc. paid approximately \$270,000 to lease this property from Mr. Hagel and his wife Susan Hagel, a former employee of Simpson Strong-Tie Company Inc. In December 2007, we extended the lease on the property for an additional 5 years through 2012. The members of our Board of Directors who are not employees or officers unanimously approved our lease of this property.

In January 2005, we appointed Michael Petrovic as an officer of Simpson Strong-Tie Canada, Limited, a wholly-owned subsidiary of Simpson Strong-Tie Company Inc. Mr. Petrovic was an owner of MGA Construction Hardware & Steel Fabricating Limited and MGA Connectors Limited, which Simpson Strong-Tie Canada, Limited acquired in 2003. He is a co-lessor of the property that Simpson Strong-Tie Canada,

Limited leases in Maple Ridge, British Columbia. Simpson Strong-Tie Canada, Limited paid approximately \$170,000 in 2006 to lease the property from Mr. Petrovic and his associates. In February 2007, we purchased this building from Mr. Petrovic and his associates for \$4.0 million. The members of our Board of Directors who are not employees or officers unanimously approved our purchase of this property.

In 2003, Thomas J Fitzmyers, our Chief Executive Officer and a member of our Board of Directors, leased an airplane that a third-party charter company manages. We pay the charter company standard hourly rates when Mr. Fitzmyers uses this airplane to travel between his home and our offices or to travel on our business. Mr. Fitzmyers is responsible for maintaining the airplane and he receives a portion of the payments that we make to the charter company for its use, whether by us or others. In 2007, we paid approximately \$345,000 for Mr. Fitzmyers to use this and other airplanes, including \$20,162 that we paid to Mr. Fitzmyers as compensation (see Summary Compensation Table). The members of our Board of Directors who are not employees or officers unanimously approved this arrangement.

## **Process and Procedures for Consideration and Determination of Executive and Director Compensation**

### *Salary*

We compensate our employees at a generally comparable level to other organizations of similar sizes in our industry. Although our base salaries are generally below the market, a greater proportion of total compensation is based on a system that provides employees with incentives to attain our profitability goals.

### *Qualified Profit Sharing Plans*

We and our U.S. subsidiaries maintain defined contribution profit sharing plans for U.S.-based salaried employees, including our Named Executive Officers, and for U.S.-based non-union hourly employees. An employee is eligible for participation in a given calendar year if he or she is an employee on the first and last days of that year and completes the minimum service requirement during that year. The minimum service requirement for a salaried employee is at least 1,000 hours of service and for an hourly employee is at least 750 hours of service. As of December 31, 2007, 624 salaried employees and 833 hourly employees participated in these plans. Under both of these plans, our Board of Directors has exclusive discretion to authorize contributions to the plan trusts. These plans limit our subsidiaries' contributions to the plan trusts to amounts deductible for federal income tax purposes under Internal Revenue Code section 404(a). Barclay Simpson and Michael J. Herbert, who are Named Executive Officers, are trustees of the plan trusts, and also participate in the plan for salaried employees. Some of our foreign subsidiaries maintain similar plans for their employees.

### *Non-Equity Incentive Plan Compensation*

We provide non-equity incentive plan compensation through two cash profit sharing plans. One is our Executive Officer Cash Profit Sharing Plan for our Named Executive Officers and the other is our Cash Profit Sharing Plan for other qualified employees. Under our Executive Officer Cash Profit Sharing Plan, we made quarterly payments to our Named Executive Officers in 2007 in the total amounts shown in the Summary Compensation Table under the heading, Non-Equity Incentive Plan Compensation.

In 2003, our stockholders approved our Executive Officer Cash Profit Sharing Plan, to provide performance-based compensation to our Named Executive Officers. Our Executive Officer Cash Profit Sharing Plan is intended to comply with section 162(m) of the Internal Revenue Code of 1986 and the related regulations and interpretations. For these officers, our Executive Officer Cash Profit Sharing Plan replaced our Cash Profit Sharing Plan described below, in which all officers had participated for over 25 years. The total awards to any participating officer under the Executive Officer Cash Profit Sharing Plan earned during the 4 quarters of a calendar year may not exceed \$2,500,000. In other respects, our

Executive Officer Cash Profit Sharing Plan provides incentive compensation to the participating officers on the same terms as apply to other employees under our Cash Profit Sharing Plan. Our Executive Officer Cash Profit Sharing Plan enables us to deduct fully, for federal income tax purposes, amounts we pay to participating officers under our Executive Officer Cash Profit Sharing Plan. In 2007, only the payments to our Chief Executive Officer exceeded \$1,000,000 under our Executive Officer Cash Profit Sharing Plan.



Our Board of Directors has delegated the oversight of our Executive Officer Cash Profit Sharing Plan to its Compensation Committee. The Compensation Committee has sole discretion and authority to administer and interpret our Executive Officer Cash Profit Sharing Plan in accordance with Internal Revenue Code section 162(m). The Compensation Committee may at any time amend our Executive Officer Cash Profit Sharing Plan, subject in some cases to the approval of our stockholders, or may terminate it at any time.

The Compensation Committee determines the amount of the award that each of the participating officers will be eligible to receive under the Executive Officer Cash Profit Sharing Plan each fiscal quarter. The Compensation Committee bases awards on a percentage of the amount by which the operating profit, as defined by the Compensation Committee, of the relevant profit center which may be Simpson Manufacturing Co., Inc. as a whole or one of our subsidiaries exceeds a qualifying level for the fiscal quarter. See the discussion above under *Executive Officer Cash Profit Sharing Plan* in the Compensation Discussion and Analysis.

We maintain our Cash Profit Sharing Plan for the benefit of our employees and our subsidiaries employees, other than the officers who participate in our Executive Officer Cash Profit Sharing Plan discussed above. The Cash Profit Sharing Plan is not qualified under section 162(m) of the Internal Revenue Code of 1986. We may change, amend or terminate our Cash Profit Sharing Plan at any time. Under our Cash Profit Sharing Plan, as currently in effect, the Compensation Committee reviews and approves a qualifying level for the coming fiscal year for each of Simpson Manufacturing Co., Inc., Simpson Dura-Vent Company, Inc. and qualifying branches of Simpson Strong-Tie Company Inc. The qualifying level equals the value of the net operating assets, as defined by the Compensation Committee, of Simpson Manufacturing Co., Inc., Simpson Dura-Vent Company, Inc. or the respective branch of Simpson Strong-Tie Company Inc., multiplied by a rate of return on those assets, as determined by the Compensation Committee. If profits exceed the qualifying level in any fiscal quarter, we pay a portion of the excess to the eligible employees as cash compensation. Our executive officers determine the percentage of the excess that we will distribute and the rates we use to calculate the amounts that we distribute to participants. Whether or not we pay amounts in any quarter under our Cash Profit Sharing Plan does not affect an employee's ability to earn amounts in any other quarter under our Cash Profit Sharing Plan. Under our Cash Profit Sharing Plan, we paid amounts totaling \$30.1 million in 2007, \$39.0 million in 2006 and \$39.9 million in 2005.

#### *1994 Stock Option Plan*

By affording selected employees, directors and consultants the opportunity to own shares of our common stock, we intend the 1994 Stock Option Plan to:

- enhance our ability to retain the services of our employees, directors or consultants and to secure and retain the services of prospective employees, directors and consultants; and
- provide incentives for them to exert maximum efforts for our success.

Our Board of Directors adopted and our stockholders approved our 1994 Stock Option Plan prior to our initial public offering in 1994. We amended our 1994 Stock Option Plan in 1997, 2000, 2002 and 2004. Our stockholders approved the 1997, 2000 and 2002 amendments. Our Board of Directors further amended our 1994 Stock Option Plan in 2008, subject to approval at the annual meeting of our stockholders on April 23, 2008. We may not sell more than 16 million shares of common stock (including shares already sold) pursuant to all options granted under our 1994 Stock Option Plan. Common stock sold on exercise of stock options granted under the 1994 Stock Option Plan may be previously unissued shares or reacquired shares, bought on the market or otherwise. In 2007, we granted stock options under our 1994 Stock Option Plan to purchase 122,500 shares of our common stock, pursuant to commitments we had made in 2006. In 2008, we granted stock options under our 1994 Stock Option Plan to purchase 40,000 shares of our common stock, pursuant to commitments we had made in 2007, but we did not grant any stock options in 2008 to our Named Executive Officers. If we meet all of our operating profit goals for 2008, we anticipate

granting stock options under our 1994 Stock Option Plan to purchase 693,500 shares, 60,000 of which would be granted to Named Executive Officers. Compensation to our Named Executive Officers related to stock options that vested in 2007 is shown in the Summary Compensation Table. See Compensation Discussion and Analysis *Stock Options*.

*Employee Stock Bonus Plan*

Under our 1994 Employee Stock Bonus Plan, we award shares of our common stock, based on years of service, to employees who do not participate in our 1994 Stock Option Plan. The Compensation Committee reviews and approves the number of shares we award, as well as the period of service. The Compensation Committee has tried to balance the amount of the stock bonus awards over the years as the stock price has fluctuated, by increasing or reducing the number of shares that we award in a given year. We also award cash bonuses to these employees to compensate for their income taxes payable as a result of these bonuses. We have generally issued the shares to an employee in the year following the year in which the employee reached a tenth anniversary. None of our Named Executive Officers participates in our 1994 Employee Stock Bonus Plan.

*Employment Agreements*

We do not ordinarily enter into any written employment agreements with our officers and we do not currently have an employment agreement with any of our current Named Executive Officers.

**Grants of Plan-Based Awards**

The following table provides information on our grant under our 1994 Stock Option Plan of a non-qualified stock option to 1 of our Named Executive Officers during 2007. The Compensation Committee granted this option because we achieved 1 of the 2006 operating goals that the Compensation Committee reviewed and approved at the beginning of 2006.

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$/Sh)
Phillip T. Kingsfather	02/02/07	2,000	33.62	11.11

The terms of this stock option and its vesting schedule are as follows:

Name	Option Term	Vesting Term{1}	Vesting Increments
Phillip T. Kingsfather	7 years	4 years	annually

{1} As discussed below, vesting of stock options will accelerate on a change in control or on the optionee ceasing to be employed by us after reaching age 60.

We generally grant options under our 1994 Stock Option Plan once each year, in late January or early February, on the day that our Compensation Committee meets to approve the grants that employees earned by meeting or exceeding our branch, subsidiary or company goals for the preceding fiscal year. The exercise price per share under these options equals or exceeds the closing market price per share of our common stock as reported by the New York Stock Exchange for the day preceding the date of the Compensation Committee meeting.

In 2007 and 2006, we granted options under our 1994 Stock Option Plan to purchase, respectively, 122,500 and 489,550 shares of our common stock pursuant to commitments made related to the preceding fiscal years. We show above in the Grants of Plan-Based Awards Table the options we granted under our 1994 Stock Option Plan to Named Executive Officers in 2007.

Generally, options that the Compensation Committee grants under the 1994 Stock Option Plan vest (become exercisable) in increments over 4 years. Our Board of Directors has, however, resolved to accelerate the vesting of options in two situations. First, when an employee ceases employment with us after reaching age 60, the employee's option will fully vest. Second, all outstanding options under the 1994 Stock Option Plan will fully vest, and must be exercised, on a change in control of Simpson Manufacturing Co., Inc. For this purpose, we define a change in control as one of the following:

- a merger or consolidation in which we are not the surviving corporation, if the surviving corporation refuses to assume or continue our options, or to substitute similar options, or our options do not otherwise continue in effect;
- a reverse merger in which we are the surviving corporation, but as part of the merger the outstanding shares of our common stock convert into other securities, cash or other property, if the surviving corporation refuses to assume or continue our options, or to substitute similar options, or our options do not otherwise continue in effect; or
- the dissolution or liquidation of Simpson Manufacturing Co., Inc.

These acceleration provisions apply to all participants in our 1994 Stock Option Plan, including our Named Executive Officers.

#### Outstanding Equity Awards at Fiscal Year End

As of December 31, 2007, our Named Executive Officers held the following stock options that had been granted under our 1994 Stock Option Plan:

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable{1}	Option Exercise Price(\$)	Option Expiration Date
Thomas J Fitzmyers	18,000		16.450	12/31/09
	13,500	4,500{2}	25.430	12/31/10
	4,500	4,500{2}	34.900	12/31/11
	2,250	6,750{2}	40.720	01/25/13
Michael J. Herbert	110,000		16.450	12/31/09
	82,500	27,500{2}	25.430	12/31/10
	2,000	2,000{2}	34.900	12/31/11
	1,000	3,000{2}	40.720	01/25/13
Barclay Simpson	1,500	500{2}	27.975	12/31/08
	500	500{2}	38.390	12/31/09
	250	750{2}	44.792	01/25/11

Phillip T. Kingsfather	334		16.450	12/31/09
	3,167	167{3}	25.430	12/31/10
	13,062	8,938{3}	34.900	12/31/11
	15,812	17,188{3}	40.720	01/25/13
		2,000{2}	33.620	02/01/14
Stephen P. Eberhard	10,000		16.450	12/31/09
	7,500	2,500{2}	25.430	12/31/10
	8,000	8,000{2}	34.900	12/31/11

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{1} As discussed above see Grants of Plan-Based Awards vesting of stock options will accelerate on a change in control or on the optionee ceasing employment with us after reaching age 60.



<sup>th</sup>

{2} Unless vesting accelerates as discussed above, options vest at the rate of 1/4 per year on the anniversary of the date of grant.

{2} Unless vesting accelerates as discussed above, options vest at the rate of 1/4<sup>th</sup> per year on the anniversary





{3} Unless vesting accelerates as discussed above, options vest at the rate of 1/48<sup>th</sup> per month each month beginning with the first month after the month of grant.

{3} Unless vesting accelerates as discussed above, options vest at the rate of 1/48th per month each month beginning

**Option Exercises and Stock Vested**

The following table provides information for the year ended December 31, 2007, on the exercise of stock options granted to our Named Executive Officers under our 1994 Stock Option Plan:

Name	Option Awards	
	Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)
Barclay Simpson	2,000	25,950
Stephen B. Lamson	12,000	109,013

**Potential Payments on Termination or Change in Control**

We do not currently have or plan to adopt any deferred compensation programs or defined benefit pension plans and generally do not pay benefits after termination of employment. Under some circumstances, however, we may compensate a former employee after terminating employment with us. These circumstances, in addition to those applicable to salaried employees generally, and the potential payments for our Named Executive Officers are as follows:

Benefits and Payments on Termination	Voluntary Termination{1}	Change in Control{1}
Accelerated vesting of stock options		
Thomas J Fitzmyers	\$ 5,220	\$ 5,220
Michael J. Herbert		31,900
Barclay Simpson		
Phillip T. Kingsfather	194	194
Stephen P. Eberhard		2,900

{1} As discussed above see Grants of Plan-Based Awards vesting of stock options will accelerate on a change in control or on the optionee ceasing employment with us after reaching age 60.

Assumes a market value of \$26.59 per share of our common stock, the closing stock price on December 31, 2007, at voluntary termination or change in control. Settlement of an exercise of stock options on voluntary termination would be in the form of a lump sum payment. No material conditions or obligations apply to the receipt of payment on voluntary termination.

{3} Unless vesting accelerates as discussed above, options vest at the rate of 1/48th per month each month beginning

**Director Compensation**

The following table provides information on compensation for the year ended December 31, 2007, for our directors who are not also our employees or officers. The amounts shown include all compensation for services to us.

Name	Fees Earned or Paid in Cash(\$)	All Other Compen- sation(\$){1}	Total (\$)
Jennifer A. Chatman	78,500		78,500
Earl F. Cheit	87,000	1,000	88,000
Gary M. Cusumano	54,000		54,000
Peter N. Louras, Jr.	89,000		89,000
Robin G. MacGillivray	79,000	1,000	80,000
Barry Lawson Williams	86,000		86,000

{1} Amount represents charitable gift matching contributions.

We pay each of our directors whom we do not compensate as an officer or employee

- an annual retainer of \$32,000,
- a fee of \$2,000 for attending in person each meeting of our Board of Directors or attending by telephone a meeting that is scheduled to be held by telephone conference,
- a fee of \$2,000 for attending in person each committee meeting held on a day when our Board of Directors does not meet,
- a fee of \$1,000 for each committee meeting he or she attends in person on the same day as a meeting of our Board of Directors or another committee, and
- a fee of half of the normal fee for each Board of Directors or committee meeting he or she attends by telephone, unless it is scheduled to be held by telephone conference.

We pay the Chair of the Audit Committee an additional annual fee of \$8,000. We pay the Chair of each of the Compensation Committee and the Governance and Nominating Committee an additional annual fee of \$4,000. We reimburse outside directors for expenses incurred in attending Board of Directors and committee meetings and educational programs. We also pay each of our outside directors \$3,000 per day and reimburse his or her expenses when he or she visits our facilities to observe operations.

{3} Unless vesting accelerates as discussed above, options vest at the rate of 1/48th per month each month beginning

*1995 Independent Director Stock Option Plan*

Our Board of Directors adopted the Simpson Manufacturing Co., Inc. 1995 Independent Director Stock Option Plan, and our stockholders approved it, in 1995. Our Board of Directors amended our 1995 Independent Director Stock Option Plan in 1997, 2002 and 2004. Our stockholders approved the 2002 amendment. The purposes of our 1995 Independent Director Stock Option Plan are to give our independent directors an opportunity to own shares of our common stock to align their efforts with our long-term financial success and to secure their continued service. We may not sell more than 320,000 shares of our common stock, including shares already sold, pursuant to all options granted under our 1995 Independent Director Stock Option Plan. On exercise of options granted under our 1995 Independent Director Stock Option Plan, we may sell previously unissued shares or reacquired shares, bought on the market or otherwise. Under our 1995 Independent Director Stock Option Plan we grant options to our independent directors as of the February 15<sup>th</sup> following each year in which we achieve our operating goals. We granted options to purchase 5,000 shares of our common stock under our 1995 Independent Director Stock Option Plan in 2006. We did not grant any options under our 1995 Independent Director Stock Option Plan in 2007 or 2008. If we meet the company-wide operating profit goal for 2008, we anticipate granting a stock option in 2009 to purchase 5,000 shares of our common stock under our 1995 Independent Director Stock Option Plan to each of our independent Directors.

During 2007, none of our independent Directors exercised any stock options granted under our 1995 Independent Director Stock Option Plan.

### **Compensation Committee Report**

The Compensation Committee of our Board of Directors reviewed the above Compensation Discussion and Analysis, discussed it with our officers and recommended its inclusion in our Annual Report on Form 10-K for the year ended December 31, 2007, and in this Proxy Statement.

**Compensation Committee**  
Barry Lawson Williams, Chairman  
Jennifer A. Chatman  
Gary M. Cusumano  
Peter N. Louras, Jr.

### **Report of the Audit Committee of our Board of Directors**

The Audit Committee of our Board of Directors is responsible for financial and accounting oversight. Its policies and practices are described below.

#### *Composition*

The Audit Committee comprises 5 independent directors, as defined by the New York Stock Exchange rules. It operates under a written charter that our Board of Directors adopted, which is available on our website at <http://www.simpsonmfg.com/financials/audit.html>. We will provide a printed copy of the charter to any stockholder on request. The members of the Audit Committee are Peter N. Louras, Jr., Chairman, Jennifer A. Chatman, Earl F. Cheit, Gary M. Cusumano and Robin G. MacGillivray. Our Board has determined that each of them meets the definitions and standards for independence and is financially literate, and that 1 of the Audit Committee members, Peter N. Louras, Jr., has financial management expertise as required by the New York Stock Exchange's rules and meets the Securities and Exchange Commission's definition of an audit committee financial expert.

#### *Responsibilities*

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the accounting firm that we engage as our independent registered public accounting firm. Our officers are responsible for our internal controls and financial reporting process. Subject to the Audit Committee's oversight, our independent registered public accounting firm is responsible for performing an independent audit of our internal controls over financial reporting, for performing an independent audit of our consolidated financial statements in accordance with generally accepted

{3} Unless vesting accelerates as discussed above, options vest at the rate of 1/48th per month each month beginning

auditing standards and for reporting on those audits.

*Review with Officers and the Independent Registered Public Accounting Firm*

The Audit Committee met 7 times in 2007 and has held discussions with our officers and the independent registered public accounting firm. Our officers represented to the Audit Committee that our consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States. The Audit Committee has reviewed and discussed the consolidated financial statements with our officers and PricewaterhouseCoopers LLP, our independent registered public accounting firm. The Audit Committee has discussed with PricewaterhouseCoopers LLP the matters that they were required to discuss under Statement on Auditing Standards No. 61, Communication with Audit Committees.

PricewaterhouseCoopers LLP also provided the Audit Committee the written disclosures and the letter required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees. The Audit Committee discussed with PricewaterhouseCoopers LLP that firm's independence. On that basis, the Audit Committee believes that PricewaterhouseCoopers LLP is independent.

*Summary*

Based on the Audit Committee's discussions with our officers and PricewaterhouseCoopers LLP, the Audit Committee's review of the representations of our officers, and the report of PricewaterhouseCoopers LLP to the Audit Committee, the Audit Committee recommended that our Board of Directors include the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2007, as filed with the Securities and Exchange Commission. The Audit Committee believes that it has satisfied its responsibilities under its charter.

**Audit Committee**

Peter N. Louras, Jr., Chairman

Jennifer A. Chatman

Earl F. Cheit

Gary M. Cusumano

Robin G. MacGillivray

**Audit and Related Fees**

*Audit Fees*

For professional services for the audit of our annual consolidated financial statements included in our annual report on Form 10-K, the audit of our internal control over financial reporting, and review of the condensed consolidated financial statements included in our quarterly reports on Form 10-Q, we paid PricewaterhouseCoopers LLP an aggregate of approximately \$1,579,000 for 2007 and \$1,677,000 for 2006, approximately 73% and 79%, respectively, of the total fees that we paid to PricewaterhouseCoopers LLP for those years.

*Audit-Related Fees*

We did not pay any audit-related fees to PricewaterhouseCoopers LLP for 2007 and 2006.

*Tax Fees*

{3} Unless vesting accelerates as discussed above, options vest at the rate of 1/48th per month each month beginning



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For professional services for tax compliance associated with our annual tax returns, and for tax advisory and planning services, we paid PricewaterhouseCoopers LLP an aggregate of approximately \$572,000 for 2007 and \$416,000 for 2006, approximately 26% and 20%, respectively, of the total fees that we paid to PricewaterhouseCoopers LLP for those years.

### *All Other Fees*

For all other services, we paid PricewaterhouseCoopers LLP an aggregate of approximately \$29,000 for 2007 and \$39,000 for 2006, approximately 1% and 2%, respectively, of the total fees that we paid to PricewaterhouseCoopers LLP for those years. These other services were primarily for work related to advice regarding regulatory issues in certain foreign jurisdictions.

The Audit Committee must pre-approve fees to be paid to PricewaterhouseCoopers LLP before PricewaterhouseCoopers LLP begins work. The Audit Committee pre-approved all fees and services for PricewaterhouseCoopers LLP's work in 2007 and 2006. The Audit Committee has determined that the fees for services rendered were compatible with maintaining PricewaterhouseCoopers LLP's independence.

**Governance and Nominating Committee of our Board of Directors**

Our Board of Directors has a standing Governance and Nominating Committee, which is primarily responsible for nominating candidates to our Board of Directors. Its charter and our corporate governance guidelines are available on our website at <http://www.simpsonmfg.com/financials/governance.html>. We will provide a printed copy of each to any stockholder on request. The 4 members of the Governance and Nominating Committee, Earl F. Cheit, Chairman, Peter N. Louras, Jr., Robin G. MacGillivray and Barry Lawson Williams, are independent and meet all applicable independence requirements.

The Governance and Nominating Committee considers all candidates identified as potential directors, including those submitted by stockholders for its consideration. Any of our stockholders can recommend a director candidate to the Governance and Nominating Committee by writing a letter to:

Simpson Manufacturing Co., Inc.

Board of Directors Governance and Nominating Committee

5956 W. Las Positas Blvd.

Pleasanton, CA 94588

For the Governance and Nominating Committee to consider a candidate for the 2009 annual meeting, we must receive the letter not later than November 14, 2008. The letter should include a description of the attributes that the stockholder believes the candidate would bring to our Board of Directors and the candidate's biography and contact information.

When evaluating a director candidate, whether or not recommended by a stockholder, the Governance and Nominating Committee uses for guidance our Governance Guidelines on Director Qualification and Key Director Responsibilities and considers the candidate's education, business experience, financial expertise, industry experience, business acumen, interpersonal skills, vision, teamwork, integrity, strategic ability and customer focus. The Governance and Nominating Committee will review and discuss potential candidates who come to its attention, whether from internal or external sources. From the review and discussion, the Governance and Nominating Committee may narrow the list of potential candidates and interview the remaining candidates. The Governance and Nominating Committee will recommend for consideration by the full Board of Directors any candidate that the Governance and Nominating Committee considers to be suitable.

Our Bylaws also permit our stockholders directly to nominate directors. To do so, a stockholder must notify our Secretary at least 75 days, but not more than 90 days, before an annual meeting, unless we do not publicly disclose the date of the meeting at least 85 days before the date that the meeting is scheduled to be held, in which case our Secretary must receive the stockholder's notice within 10 days after we publicly disclose the meeting date. A stockholder's notice nominating 1 or more director candidates must state as to each such candidate

- the candidate's name, age, business address and residence address,

{3} Unless vesting accelerates as discussed above, options vest at the rate of 1/48th per month each month beginning

- the candidate's principal occupation or employment,
- the number of shares of our common stock that the candidate beneficially owns, and
- any other information relating to the candidate that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, pursuant to Regulation 14A under the Securities Exchange Act of 1934 (including without limitation the candidate's written consent to being named in the proxy statement as a nominee and to serving as a director if elected).

The stockholder's notice must also state the stockholder's name and address, as they appear on our books, and the number of shares of our common stock that the stockholder beneficially owns. We will disregard a purported nomination that does not comply with these procedures in our Bylaws. We did not receive such a notice from any stockholder for our 2008 annual meeting of stockholders.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and officers and persons who own more than 10% of our common stock to file initial reports of ownership and reports of changes in ownership of our common stock with the Securities and Exchange Commission. Securities and Exchange Commission regulations require such persons to furnish us with copies of all section 16(a) reports that they file. Based solely on our review of the copies of such reports that we received and written representations from the executive officers and directors, we believe that in 2007 our directors and officers and 10% stockholders met all of the section 16(a) filing requirements regarding our common stock.

**Code of Ethics**

We have adopted a code of business conduct and ethics that applies to our Chief Executive Officer and our Chief Financial Officer, as well as all other of our and our subsidiaries employees. This code of ethics is posted on our website at <http://www.simpsonmfg.com/about/ethics.html>. We will provide a printed copy of the code of ethics, free of charge, to any stockholder on request.

**OTHER BUSINESS**

Our Board of Directors does not presently intend to bring any other business before the meeting. So far as our Board of Directors is aware, no matters will be brought before the meeting except as specified in the notice of the meeting. The persons that you will appoint as your proxies in the enclosed form intend to vote according to their judgment on any other business that properly comes before the meeting.

**DISCLAIMER REGARDING INCORPORATION BY REFERENCE OF THE REPORTS OF  
THE AUDIT AND COMPENSATION COMMITTEES**

THE INFORMATION SHOWN IN THE SECTIONS ENTITLED REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS AND REPORT OF THE COMPENSATION COMMITTEE AND BOARD OF DIRECTORS ON EXECUTIVE COMPENSATION SHALL NOT BE DEEMED TO BE INCORPORATED BY REFERENCE BY ANY GENERAL STATEMENT INCORPORATING BY REFERENCE THIS PROXY STATEMENT INTO ANY FILING BY SIMPSON MANUFACTURING CO., INC. WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, EXCEPT TO THE EXTENT THAT SIMPSON MANUFACTURING CO., INC. INCORPORATES THIS INFORMATION BY SPECIFIC REFERENCE, AND SUCH INFORMATION SHALL NOT OTHERWISE BE DEEMED FILED UNDER SUCH ACTS.

**STOCKHOLDER PROPOSALS**

We must receive stockholder proposals for inclusion in our proxy statement and form of proxy relating to our 2009 Annual Meeting of Stockholders a reasonable time before we begin our solicitation, and in any event not later than November 14, 2008

BY ORDER OF THE BOARD

Michael J. Herbert

*Secretary*

**TO ASSURE THAT YOUR SHARES ARE REPRESENTED AT THE MEETING, WE URGE YOU TO COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND MAIL IT PROMPTLY IN THE POSTAGE-PAID ENVELOPE PROVIDED, OR VOTE BY TELEPHONE OR THE INTERNET AS INSTRUCTED ON THE PROXY, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING. YOU CAN REVOKE YOUR PROXY AT ANY TIME BEFORE IT IS VOTED.**

**EXHIBIT A**

**SIMPSON MANUFACTURING CO., INC.  
EXECUTIVE OFFICER CASH PROFIT SHARING PLAN**

**Adopted January 14, 2003**

**and Amended through February 25, 2008**

Purpose

The purpose of this Plan is to recognize outstanding effort and achievement by executive officers of Simpson Manufacturing Co., Inc. and its subsidiaries (together, the Company). The Plan is intended to provide qualified performance-based compensation in accordance with section 162(m) of the Internal Revenue Code of 1986, as amended, and the regulations and interpretations thereunder (the Code).

Committee

The Plan shall be administered by a Compensation Committee (the Committee) of the Board of Directors of the Company. The Committee shall consist of at least two outside directors of the Company who satisfy the requirements of Code section 162(m). The Committee shall have the sole discretion and authority to administer and interpret the Plan in accordance with Code section 162(m).

Covered Employees

Any employee of the Company treated as a covered employee pursuant to section 162(m) of the Code, as amended and as interpreted in Treasury Regulations and notices or other rulings issued by the Internal Revenue Service, and any other employee of the Company designated by the Committee.

Amount of Award

The Committee will determine the amount of the award that each covered employee will be eligible to receive under the Plan each fiscal quarter. Awards will be based on a percentage of the amount by which net profits of the Company or a branch or subsidiary of the Company for a fiscal quarter exceed a qualifying level of net profits for the Company or such branch or subsidiary, respectively, for that fiscal quarter. The results for each fiscal quarter will be determined independently of the results for any other fiscal quarter; profits or losses in one fiscal quarter will not be used to calculate net profits in any subsequent fiscal quarter.

{3} Unless vesting accelerates as discussed above, options vest at the rate of 1/48th per month each month beginning

The Committee shall set the standards for determining net profits, the qualifying levels and the percentages of excess profits that covered employees are eligible to receive with respect to a fiscal quarter, no later than the latest time permitted by the Code for that fiscal quarter. Qualifying levels will be based on the value of net operating assets of the Company, the branch or the subsidiary, multiplied by a rate of return on those assets. Individual percentages will be based on job function.

No award in excess of \$2,500,000 will be paid to any covered employee under this Plan with respect to any fiscal year. The Committee, in its sole discretion, may reduce or eliminate the award to any covered employee in any year. The reduction in the amount of an award to any covered employee shall not, however, affect the amount of the award to any other covered employee.

Payment of Awards

Awards will be paid quarterly, within five weeks of the last day of the fiscal quarter. No bonus shall be paid unless and until the Committee certifies in writing that the performance goals of the Plan are satisfied.

No covered employee is eligible to receive an award under the Plan until he or she works an entire fiscal quarter for the Company. Anyone who is terminated by the Company without cause, as determined by the Committee in its sole discretion, dies, is on disability or voluntarily quits the Company before the last day of a fiscal quarter, will be paid on a pro-rata basis for the days actually worked in that fiscal quarter.

Scope of the Plan

Nothing in this Plan shall be construed as precluding or prohibiting the Company from establishing or maintaining other bonus or compensation arrangements, which may be applicable to all employees and officers or applicable only to selected employees or officers; provided, however, that an individual who receives an award under this Plan with respect to a fiscal quarter shall not be permitted to participate in any other bonus arrangement or plan of the Company for that fiscal quarter that provides bonuses similarly calculated as a percentage of profits in excess of a qualifying level.

Amendment and Termination

The Company reserves the right to amend or terminate this Plan at any time with respect to future services of covered employees. Plan amendments will require stockholder approval only to the extent required by applicable law.

General

The establishment of the Plan shall not confer any legal right on any covered employee or other person to continued employment, nor shall it interfere with the right of the Company to discharge any covered employee and treat him or her without regard to the effect that such treatment might have on him or her as a participant in the Plan. The laws of the State of California will govern any legal dispute involving the Plan.

No Funding

The Company shall not be required to fund or otherwise segregate any cash or any other assets that may at any time be paid to participants under the Plan. The Plan shall constitute an unfunded plan of the Company. Neither the Company nor the Committee shall, by any provision of the Plan, be deemed to be a trustee of any property, and any obligations of the Company to any participant under the Plan shall be those of a debtor and any rights of any participant or former participant shall be limited to those of a general unsecured creditor.

{3} Unless vesting accelerates as discussed above, options vest at the rate of 1/48th per month each month beginning



Non-Transferability of Benefits and Interests

Except as expressly provided by the Committee, no benefit payable under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any such attempted action shall be void. No benefit payable under the Plan shall be in any manner liable for or subject to debts, contracts, liabilities, engagements or torts of any participant or former participant. This section shall not apply to an assignment of a contingency or payment due after the death of the covered employee to the deceased covered employee's legal representative or beneficiary.

**EXHIBIT B**

**SIMPSON MANUFACTURING CO., INC.**

**1994 STOCK OPTION PLAN**

**Adopted February 23, 1994**

**and Amended through February 13, 2008**

**1. PURPOSES.**

(a) The purpose of the Plan is to provide a means by which selected Employees and Directors of and Consultants to the Company, and its Affiliates, may be given an opportunity to purchase stock of the Company.

(b) The Company, by means of the Plan, seeks to retain the services of persons who are now Employees or Directors of or Consultants to the Company and its Affiliates, to secure and retain the services of new Employees, Directors and Consultants, and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates.

(c) The Company intends that the Options issued under the Plan shall, in the discretion of the Board or any Committee to which responsibility for administration of the Plan has been delegated pursuant to subsection 3(c), be either Incentive Stock Options or Nonstatutory Stock Options. All Options shall be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and in such form as issued pursuant to section 6, and a separate certificate or certificates will be issued for shares purchased on exercise of each type of Option.

**2. DEFINITIONS.**

(a) **Affiliate** means any parent corporation or subsidiary corporation of the Company, whether now or hereafter existing, as those terms are defined in Code sections 424(e) and (f), respectively, and that qualifies as an eligible issuer of service recipient stock, as that term is defined in Treasury Regulations section 1.409A-1(b)(5)(iii)(E).

{3} Unless vesting accelerates as discussed above, options vest at the rate of 1/48th per month each month beg

- (b) **Board** means the Board of Directors of the Company.
- (c) **Code** means the Internal Revenue Code of 1986, as amended.
- (d) **Committee** means a Committee appointed by the Board in accordance with subsection 3(c) of the Plan.
- (e) **Common Stock** means the common stock of the Company.
- (f) **Company** means Simpson Manufacturing Co., Inc., a Delaware corporation.
- (g) **Consultant** means any person, including an advisor, engaged by the Company or an Affiliate to render consulting services and who is compensated for such services; provided that the term **Consultant** shall not include Directors who are paid only a director's fee by the Company or who are not compensated by the Company for their services as Directors.
- (h) **Continuous Status as an Employee, Director or Consultant** means the employment or relationship as a Director or Consultant is not interrupted or terminated. The Board, in its sole discretion, may determine whether Continuous Status as an Employee, Director or Consultant shall be considered interrupted in the case of: (i) any leave of absence approved by the Board, including sick leave, military leave or any other personal leave; or (ii) transfers between locations of the Company or between the Company, Affiliates or their successors.

- (i) **Director** means a member of the Board.
  
  - (j) **Employee** means any person, including Officers and Directors, employed by the Company or any Affiliate of the Company. Neither service as a Consultant or a Director nor payment of a director's fee by the Company shall be sufficient to constitute employment by the Company.
  
  - (k) **Exchange Act** means the Securities Exchange Act of 1934, as amended.
  
  - (l) **Fair Market Value** means the value of the Common Stock as determined in good faith by the Board and in a manner consistent with section 260.140.50 of Chapter 3 of Title 10 of the California Code of Regulations and with Treasury Regulations section 1.409A-1(b)(5)(iv).
  
  - (m) **Incentive Stock Option** means an Option intended to qualify as an incentive stock option within the meaning of section 422 of the Code and the regulations promulgated thereunder.
  
  - (n) **Non-Employee Director** means a Director who satisfies the requirements established from time to time by the Securities and Exchange Commission for non-employee directors under Rule 16b-3.
  
  - (o) **Nonstatutory Stock Option** means an Option not intended to qualify as an Incentive Stock Option.
  
  - (p) **Officer** means a person who is an officer of the Company within the meaning of section 16 of the Exchange Act and the rules and regulations promulgated thereunder.
  
  - (q) **Option** means a stock option granted pursuant to the Plan.
  
  - (r) **Option Agreement** means a written agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.
  
  - (s) **Optioned Stock** means the Common Stock of the Company subject to an Option.
- {3} Unless vesting accelerates as discussed above, options vest at the rate of 1/48th per month each month beginning

- (t) **Optionee** means an Employee, Director or Consultant who holds an outstanding Option.
  
- (u) **Outside Director** means a member of the Board who satisfies the requirements established from time to time for outside directors under section 162(m) of the Code.
  
- (v) **Plan** means this Simpson Manufacturing Co., Inc. 1994 Stock Option Plan.
  
- (w) **Rule 16b-3** means Rule 16b-3 under the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.
  
- (x) **Securities Act** means the Securities Act of 1933, as amended.

### 3. ADMINISTRATION.

- (a) The Plan shall be administered by the Board unless and until the Board delegates administration to a Committee, as provided in subsection 3(c).
  
- (b) The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:
  - (1) To determine from time to time which of the persons eligible under the Plan shall be granted Options; when and how each Option shall be granted; whether an Option will be an Incentive Stock Option or a Nonstatutory Stock Option; the terms and conditions of each Option granted (which need not be

identical), including the time or times such Option may be exercised as a whole or in part; and the number of shares for which an Option shall be granted to each such person;

(2) To grant Options under the Plan;

(3) To construe and interpret the Plan and Options granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Option Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective; and

(4) To amend the Plan as provided in section 11.

(c) The Board may delegate administration of the Plan to a Committee of the Board that will satisfy the requirements of rule 16b-3. The Committee shall consist solely of two or more Directors, each of whom is a Non-Employee Director and an Outside Director, who shall be appointed by the Board. Subject to the foregoing, from time to time the Board may increase the size of the Committee and appoint additional qualified members, remove members (with or without cause) and appoint new members in substitution therefor, or fill vacancies, however caused. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board (and references in this Plan to the Board shall thereafter be to the Committee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revert in the Board the administration of the Plan. Notwithstanding anything in this section 3 to the contrary, the Board or the Committee may delegate to a committee of one or more members of the Board the authority to grant options to eligible persons who are not then subject to section 16 of the Exchange Act.

#### **4. SHARES SUBJECT TO THE PLAN.**

(a) Subject to the provisions of section 10 relating to adjustments on changes in stock, the stock that may be sold pursuant to Options shall not exceed in the aggregate 8,000,000 shares of the Common Stock. If any Option shall for any reason expire or otherwise terminate, as a whole or in part, without having been exercised in full, the stock not purchased under such Option shall revert to and again become available for issuance under the Plan; provided, however, that the maximum number of shares of Common Stock with respect to which Options may be granted during a calendar year to any employee is 150,000 shares.

(b) The stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

{3} Unless vesting accelerates as discussed above, options vest at the rate of 1/48th per month each month beginning

**5. ELIGIBILITY.**

(a) Incentive Stock Options may be granted only to Employees. Nonstatutory Stock Options may be granted only to Employees, Directors or Consultants.

(b) No person shall be eligible for the grant of an Option if, at the time of grant, such person owns (or is deemed to own pursuant to section 424(d) of the Code) stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or of any of its Affiliates unless the exercise price of such Option is at least 110 percent of the Fair Market Value of such stock at the date of grant and the Option is not exercisable after the expiration of five years from the date of grant.

**6. OPTION PROVISIONS.**

Each Option shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The provisions of separate Options need not be identical, but each Option shall include (through incorporation of provisions hereof by reference in the Option Agreement or otherwise), except as the Board may otherwise determine in the specific case, the substance of each of the following provisions:

(a) Term of Options. No Option shall be exercisable after the expiration of ten years from the date it is granted.

(b) Price. The exercise price of each Option shall be not less than 100 percent of the Fair Market Value of the stock subject to the Option on the date the Option is granted.

(c) Consideration. The purchase price of stock acquired pursuant to an Option shall be paid, to the extent permitted by applicable statutes and regulations, either (i) in cash at the time the Option is exercised, or (ii) in the absolute discretion of the Board or the Committee (which discretion may be exercised in a particular case without regard to any other case or cases), at the time of the grant or thereafter, (A) by the withholding of shares of Common Stock issuable on exercise of the Option or delivery to the Company of other Common Stock of the Company, (B) according to a deferred payment or other arrangement (which may include, without limiting the generality of the foregoing, the use of other Common Stock of the Company) with the person to whom the Option is granted or to whom the Option is transferred pursuant to subsection 6(d), or (C) in any other form of legal consideration that may be acceptable to the Board.

In the case of any deferred payment arrangement, interest shall be payable at least annually and shall be charged at the minimum rate of interest necessary to avoid the treatment as interest, under any applicable provisions of the Code, of any amounts other than amounts stated to be interest under the deferred payment arrangement, or if less, the maximum rate permitted by law.

(d) Transferability. An Option shall not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed by the Optionee during his or her lifetime, whether by operation of law or otherwise, other than by will or the laws of descent and distribution applicable to such Optionee, or be made subject to execution, attachment or similar process; provided that the Board may in its discretion at the time of approval of the grant of an Option or thereafter permit an Option to be transferred by an Optionee to a trust or other entity established by the Optionee for estate planning purposes, and may permit further transferability, or impose conditions or limitations on any permitted transferability. An Option shall otherwise be exercisable during the lifetime of the person to whom the Option is granted only by such person.

(e) Vesting. The total number of shares of stock subject to an Option may, but need not, be allotted in periodic installments (which may, but need not, be equal). An Option Agreement may provide that from time to time during each of such installment periods, the Option may become exercisable ( vest ) with respect to some or all of the shares allotted to that period, and may be exercised with respect to some or all of the shares allotted to such period or any prior period as to which the Option shall have become vested but shall not have been fully exercised. An Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Board may deem appropriate. The vesting provisions may vary among Options, but in each case will provide for vesting of at least twenty percent per year of the total number of shares subject to the Option.

{3} Unless vesting accelerates as discussed above, options vest at the rate of 1/48th per month each month beginning



(f) Conditions On Exercise of Options and Issuance of Shares.

(1) Shares shall not be issued on exercise of an Option unless the exercise of such Option and the delivery of such shares pursuant thereto shall comply with all applicable laws and regulations, including, without limitation, the Securities Act, the Exchange Act, the rules and regulations promulgated thereunder and the requirements of any stock exchange on which the Common Stock may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(2) The Company may require any Optionee, or any person to whom an Option is transferred under subsection 6(d), as a condition of exercising an Option, (1) to give written assurances satisfactory to the Company as to the Optionee's knowledge and experience in financial and business matters or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters, and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Option; and (2) to give written assurances satisfactory to the Company stating that such person is acquiring the stock subject to the Option for such person's own account and not with any present intention of selling or otherwise distributing the stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inapplicable if (i) the

issuance of the shares on the exercise of the Option has been registered under a then currently effective registration statement under the Securities Act, or (ii) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, with advice of its counsel, place such legends on stock certificates issued under the Plan as the Company deems necessary or appropriate to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the stock.

(g) Termination of Employment or Relationship as a Director or Consultant. If an Optionee's Continuous Status as an Employee, Director or Consultant terminates (other than on the Optionee's death or disability), the Optionee may exercise his or her Option (to the extent that the Optionee shall have been entitled to exercise it at the date of termination) but only within the period ending on the earlier of (i) the ninetieth day after the termination of the Optionee's Continuous Status as an Employee, Director or Consultant (or such longer or shorter period, which in no event shall be less than thirty days, specified in the Option Agreement), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionee does not exercise his or her Option within the time specified in the Option Agreement, the Option shall terminate, and the shares covered by such Option shall revert to and again become available for issuance under the Plan.

(h) Disability of Optionee. If an Optionee's Continuous Status as an Employee, Director or Consultant terminates as a result of the Optionee's disability, the Optionee may exercise his or her Option (to the extent that the Optionee shall have been entitled to exercise it at the date of termination), but only within the period ending on the earlier of (i) the first anniversary of such termination (or such longer or shorter period, which in no event shall be less than six months, specified in the Option Agreement), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, at the date of termination, the Optionee is not entitled to exercise his or her entire Option, the shares covered by the unexercisable portion of the Option shall revert to and again become available for issuance under the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the shares covered by such Option shall revert to and again become available for issuance under the Plan.

(i) Death of Optionee. If of an Optionee dies during, or within a period specified in the Option after the termination of, the Optionee's Continuous Status as an Employee, Director or Consultant, the Option may be exercised (to the extent that the Optionee shall have been entitled to exercise the Option at the date of death) by the Optionee's estate or by a person who shall have acquired the right to exercise the Option by bequest or inheritance, but only within the period ending on the earlier of (i) the one hundred eightieth day after the first anniversary of the date of death (or such longer or shorter period, which in no event shall be less than six months, specified in the Option Agreement), or (ii) the expiration of the term of such Option as set forth in the Option Agreement. If, at the time of death, the Optionee is not entitled to exercise his or her entire Option, the shares covered by the unexercisable portion of the Option shall revert to and again become available for issuance under the Plan. If, after death, the Optionee's estate or a person who shall have acquired the right to exercise the Option by bequest or inheritance does not exercise the Option within the time specified herein, the Option shall terminate, and the shares covered by such Option shall revert to and again become available for issuance under the Plan.

(j) Exemptions. Notwithstanding subsections (g), (h) and (i) above, the Board shall have the authority to extend the expiration date of any outstanding Option in circumstances in which it deems such action to be appropriate

{3} Unless vesting accelerates as discussed above, options vest at the rate of 1/48th per month each month beginning

(provided that no such extension shall extend the term of an Option beyond the date of expiration of the term of such Option as set forth in the Option Agreement).

(k) Early Exercise. The Option may, but need not, include a provision whereby the Optionee may elect at any time while an Employee, Director or Consultant to exercise the Option as to any part or all of the shares subject to the Option prior to the full vesting of the Option. Any unvested shares so purchased shall be subject to a repurchase right in favor of the Company, with the repurchase price to be equal to the original purchase price of the stock, or to any other restriction the Board determines to be appropriate; provided that the right to repurchase at the original purchase price shall lapse at a minimum rate of twenty percent per year over five years from the date the Option is granted and such right shall be exercised within ninety days of termination of employment for cash or cancellation of purchase money indebtedness for the shares. Should the right of repurchase be assigned by the Company, the assignee shall pay the Company cash equal to the

difference between the original purchase price and the stock's Fair Market Value at the time of the assignment if the original purchase price is less than such Fair Market Value.

(1) **Withholding.** To the extent approved by the Board in the specific case, at the time of approval of the grant of the Option or thereafter, the Optionee may satisfy any Federal, state or local tax withholding obligation relating to the exercise of such Option by any of the following means or by a combination of such means: (1) tendering a cash payment; (2) authorizing the Company to withhold shares from the shares of the Common Stock otherwise issuable to the Optionee as a result of the exercise of the Option; or (3) delivering to the Company owned and unencumbered shares of the Common Stock of the Company. The value of shares withheld or delivered shall equal the Fair Market Value of the shares on the day the Option is exercised.

## **7. COVENANTS OF THE COMPANY.**

(a) During the terms of the Options, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Options.

(b) The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to issue and sell shares of stock on exercise of the Options; provided that this undertaking shall not require the Company to register under the Securities Act either the Plan, any Option or any stock issued or issuable pursuant to any such Option. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary for the lawful issuance and sale of stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell stock on exercise of such Options unless and until such authority is obtained.

## **8. USE OF PROCEEDS FROM STOCK.**

Proceeds from the sale of stock pursuant to Options shall constitute general funds of the Company.

## **9. MISCELLANEOUS.**

(a) Neither an Optionee nor any person to whom an Option is transferred under subsection 6(d) shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares subject to such Option unless and until such person has satisfied all requirements for exercise of the Option pursuant to its terms. No adjustment will be made for dividends or other rights for which the record date is prior to the date of satisfaction of all such requirements.

{3} Unless vesting accelerates as discussed above, options vest at the rate of 1/48th per month each month beginning

(b) Throughout the term of any Option, the Company shall deliver to the holder of such Option, not later than 120 days after the close of each of the Company's fiscal years during the Option term, a balance sheet and an income statement. This section shall not apply when issuance is limited to key employees whose duties in connection with the Company assure them access to equivalent information.

(c) Nothing in the Plan or any instrument executed or Option granted or other action taken pursuant thereto shall confer on any Employee, Director, Consultant or Optionee any right to continue in the employ of the Company or any Affiliate (or to continue acting as a Director or Consultant) or shall affect the right of the Company or any Affiliate to terminate the employment or relationship as a Director or Consultant of any Employee, Director, Consultant or Optionee with or without cause.

(d) To the extent that the aggregate Fair Market Value (determined at the time of grant) of stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionee during any calendar year under all plans of the Company and its Affiliates exceeds \$100,000, the Options or portions thereof in excess of such limit (according to the order in which they are granted) shall be treated as Nonstatutory Stock Options.

**10. ADJUSTMENTS ON CHANGES IN STOCK.**

(a) If any change is made in the stock subject to the Plan, or subject to any Option (through merger, consolidation, reclassification, reorganization, recapitalization, stock dividend, dividend in property other than cash, stock split or reverse stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or otherwise), the Plan and outstanding Options will be appropriately adjusted by the Board in the class(es) and maximum number of shares subject to the Plan and the class(es) and number of shares and price per share of stock subject to outstanding Options.

(b) In the event of: (1) a merger or consolidation in which the Company is not the surviving corporation or (2) a reverse merger in which the Company is the surviving corporation but the shares of the Common Stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise then to the extent permitted by applicable law: (i) any surviving corporation shall assume any Options outstanding under the Plan or shall substitute similar options for those outstanding under the Plan, or (ii) such Options shall continue in full force and effect. If any surviving corporation refuses to assume or continue such Options, or to substitute similar options for those outstanding under the Plan, then such Options shall be terminated if not exercised prior to such event. In the event of a dissolution or liquidation of the Company, any Options outstanding under the Plan shall terminate if not exercised prior to such event.

**11. AMENDMENT OF THE PLAN.**

(a) The Board at any time or from time to time shall have the right to amend, modify, suspend or terminate the Plan for any reason; provided that the Company will seek stockholder approval for any change if and to the extent required by applicable law, regulation or rule.

(b) It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide Optionees with the maximum benefits provided or to be provided under the Code and the regulations promulgated thereunder relating to Incentive Stock Options or to cause the Plan or Incentive Stock Options granted under it to comply therewith.

(c) Rights and obligations under any Option granted before amendment of the Plan shall not be altered or impaired by any amendment of the Plan, unless (i) the Company requests the consent of the person to whom the Option shall have been granted and (ii) such person consents in writing.

**12. TERMINATION OR SUSPENSION OF THE PLAN.**

{3} Unless vesting accelerates as discussed above, options vest at the rate of 1/48th per month each month beginning

(a) The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on May 28, 2012. No Options may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) Rights and obligations under any Option granted while the Plan is in effect shall not be altered or impaired by suspension or termination of the Plan, except with the consent of the person to whom the Option shall have been granted.

**13. EFFECTIVE DATE OF PLAN.**

The Plan shall become effective as determined by the Board, but no Options granted under the Plan shall be exercised unless and until the Plan shall have been approved by the stockholders of the Company, which approval shall be within twelve months before or after the date the Plan is adopted by the Board, and, if required, an appropriate permit shall have been issued by the Commissioner of Corporations of the State of California.

**14. COMPLIANCE WITH SECTION 16 OF THE EXCHANGE ACT**

It is the Company's intent that the Plan comply in all respects with Rule 16b-3. If any provision of this Plan is found not to be in compliance with Rule 16b-3, that provision shall be deemed to have been amended or deleted as and to the extent necessary to comply with Rule 16b-3, and the remaining provisions of

the Plan shall continue in full force and effect, without change. All transactions under the Plan shall be executed in accordance with the requirements of Section 16 of the Exchange Act and the applicable regulations promulgated thereunder.

**15. COMPLIANCE WITH SECTION 409A OF THE CODE**

It is the Company's intent that the Plan comply in all respects with Code section 409A and the applicable regulations promulgated thereunder. If any provision of the Plan is found not to be in compliance with Code section 409A and the applicable regulations promulgated thereunder, that provision shall be deemed to have been amended or deleted as and to the extent necessary to comply with Code section 409A and the applicable regulations promulgated thereunder, and the remaining provisions of the Plan shall continue in full force and effect, without change. All transactions under the Plan shall be executed in accordance with the requirements of Code section 409A and the applicable regulations promulgated thereunder.



**EXHIBIT C**

**Compensation Committee Charter**

April 20, 2007

The Compensation Committee (the **Committee**) of the Board of Directors of Simpson Manufacturing Co., Inc. (the **Company**) shall consist of a minimum of two directors. Members of the Committee shall be appointed by the Board of Directors and may be removed by the Board of Directors at its discretion. All members of the Committee shall be independent directors and shall satisfy the New York Stock Exchange standard for independence for members of the Audit Committee.

The purpose of the Committee shall be to carry out the Board of Directors' overall responsibility for executive compensation.

The Committee shall have the following authority and responsibilities:

1. To review and approve on an annual basis the corporate goals and objectives with respect to compensation for the Principal Executive Officer. The Committee shall evaluate at least once a year the Principal Executive Officer's performance in light of these established goals and objectives. Based on these evaluations, the Committee shall set the Principal Executive Officer's annual compensation, including salary, bonus, incentive, equity, pension and any other compensation.
2. To review and approve on an annual basis the compensation structure for the Principal Financial Officer and Company's other three most highly compensated executive officers (the **Named Executive Officers**), for purposes of Item 402 of the Securities and Exchange Commission's Regulation S-K, as well as the other executive officers of the Company. The Committee shall evaluate the performance of the Named Executive Officers and the other executive officers of the Company. The Committee shall approve the annual compensation, including salary, bonus, incentive, equity, pension and any other compensation for the Named Executive Officers and the other executive officers of the Company.
3. To review and make recommendations to the Board of Directors with respect to the Company's non-equity incentive compensation based plans, equity-based plans and pension plans.
4. To review and approve Board compensation.

5. To review and approve on a quarterly basis awards to the Named Executive Officers and the other executive officers of the Company under the Company's Executive Officer Cash Profit Sharing Plan.
6. To review and approve the compensation discussion and analysis for inclusion in the Company's Annual Report on form 10-K and proxy statement.
7. To prepare and publish a compensation report in the Company's proxy statement each year.

In carrying out its duties, the Committee shall have the authority to delegate any of its responsibilities to subcommittees or individual member(s) of the Committee, as the Committee may deem appropriate in its sole discretion.

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The Committee shall have authority to retain compensation consultants, outside counsel and other advisors, as the Committee may deem appropriate in its sole discretion. The Committee shall have sole authority to approve related fees and retention terms.

The Committee shall report its actions and any recommendations to the Board of Directors after each Committee meeting and shall conduct and present to the Board of Directors an annual performance evaluation of the Committee. The Committee shall review at least annually the adequacy of this charter and recommend any proposed changes to the Board of Directors for approval.

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*SIMPSON MANUFACTURING CO., INC.*

*5956 W. LAS POSITAS BLVD.*

*PLEASANTON, CA 94588*

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Simpson Manufacturing Co., Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

SMPSN1 KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

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**SIMPSON MANUFACTURING CO., INC.**  
**The Board of Directors recommends a vote FOR the nominees in proposal 1, and a vote FOR proposals 2, 3 and 4.**  
**Vote On Directors**

1. Election of 3 Directors to serve for a three-year term

**Nominees:**

- 01) Earl F. Cheit
- 02) Thomas J Fitzmyers

<b>For</b>	<b>Withhold</b>	<b>For All</b>	To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below.
<b>All</b>	<b>All</b>	<b>Except</b>	

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03) Barry Lawson Williams

<b>Vote On Proposals</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>
2. Amendment and re-approval of the Executive Officer Cash Profit Sharing Plan	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. Amendment and re-approval of the Simpson Manufacturing Co., Inc. 1994 Stock Option Plan	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. Ratification of the selection of PricewaterhouseCoopers LLP as independent registered public accounting firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Unless otherwise specified, this proxy will be voted for the nominees listed above as director and for proposals 2, 3 and 4 and will be voted in the discretion of the proxies on such other matters as may properly come before the meeting or any adjournment thereof.**

Such other matters are not related.

**IF VOTING BY MAIL, PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE**

For address changes and/or comments, please check this box and write them on the back where indicated.

**Yes**                      **No**

Please indicate if you plan to attend this meeting.                      

(Please sign exactly as name appears, above, indicating title or representative capacity, where applicable)

Signature [PLEASE SIGN WITHIN BOX]      Date

Signature (Joint Owners)                      Date

**Important Notice Regarding Internet Availability of Proxy Materials for the Annual Meeting:**

The Notice and Proxy Statement and Annual Report are available at [www.proxyvote.com](http://www.proxyvote.com).

**PROXY**

**THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS OF  
SIMPSON MANUFACTURING CO., INC.**

**Annual Meeting of Stockholders - April 23, 2008**

The undersigned hereby appoints Barclay Simpson and Thomas J Fitzmyers, and each of them, attorneys and proxies of the undersigned, with full power of substitution and resubstitution, to vote on behalf of the undersigned all shares of the common stock of Simpson Manufacturing Co., Inc. that the undersigned is entitled to vote at the Annual Meeting of Stockholders to be held on April 23, 2008, at 5956 W. Las Positas Blvd., Pleasanton, California, and at all adjournments thereof, hereby revoking any proxy heretofore given with respect to such common stock, and the undersigned authorizes and instructs said proxies to vote as indicated on the reverse side hereof. The shares represented by this proxy will be voted as directed, or if directions are not indicated, will be voted for the election as directors of some or all of the persons listed on this proxy, in the manner described in the proxy statement. This proxy confers on the proxyholders the power of cumulative voting and the power to vote cumulatively for fewer than all of the nominees as described in such proxy statement.

Address Changes/Comments:

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

**SEE  
REVERSE  
SIDE**

**(CONTINUED AND TO BE SIGNED ON THE REVERSE SIDE)**

**SEE  
REVERSE  
SIDE**