SIMPSON MANUFACTURING CO INC /CA/
Form 10-Q/A
August 15, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 1

(Mark One)

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

For the quarterly period ended: March 31, 2008

OR

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

For the transition period from to

Commission file number: 1-13429

Simpson Manufacturing Co., Inc.

(Exact name of registrant as specified in its charter)

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

5956 W. Las Positas Blvd., Pleasanton, CA 94588

(Address of principal executive offices)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

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

Large accelerated filer x

Accelerated filer o

Non-accelerated filer o (Do not check if a smaller reporting company)

Smaller reporting company o

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

Yes o No x

The number of shares of the Registrant s common stock outstanding as of March 31, 2008: 48,586,554

EXPLANATORY NOTE

Simpson Manufacturing Co., Inc. (the Company) is filing this Amendment No. 1 (the Amendment) to its Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, which was originally filed on May 9, 2008 (Original Filing), to correct the reference to the quarter covered by the certification in Exhibit 32. The Amendment continues to speak as of the date of the Original Filing, and the Company has not updated the disclosure herein to reflect events or circumstances since the Original Filing. The Amendment should be read in conjunction with the Company s filings with the Securities and Exchange Commission subsequent to the Original Filing.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Simpson Manufacturing Co., Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(In thousands, unaudited)

	March 31, 2008	March 31, 2007	December 31, 2007
ASSETS			
Current assets			
Cash and cash equivalents	$ 164,381	$ 149,310	$ 186,142
Trade accounts receivable, net	107,634	126,577	88,340
Inventories	227,855	208,797	218,342
Deferred income taxes	11,236	11,042	11,623
Assets held for sale	9,677		9,677
Other current assets	8,825	8,003	8,753
Total current assets	529,608	503,729	522,877
Property, plant and equipment, net	195,319	206,442	198,117
Goodwill	57,845	44,617	57,418
Intangible assets	22,142	9,123	23,239
Other noncurrent assets	18,513	12,445	16,028
Total assets	$ 823,427	$ 776,356	$ 817,679
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities			
Line of credit and current portion of long-term debt	$ 3,390	$ 2,691	$ 1,029
Trade accounts payable	34,745	35,863	27,226
Accrued liabilities	30,357	34,239	39,188
Income taxes payable	1,639	5,994	
Accrued profit sharing trust contributions	2,411	10,309	8,651
Accrued cash profit sharing and commissions	4,665	8,345	4,129
Accrued workers compensation	4,116	3,712	4,116
Total current liabilities	81,323	101,153	84,339
Long-term debt, net of current portion		337	
Other long-term liabilities	12,144	8,775	9,940
Total liabilities	93,467	110,265	94,279
Commitments and contingencies (Note 7)			
Stockholders equity			
Common stock, at par value	486	484	485
Additional paid-in capital	127,573	118,590	126,119
Retained earnings	574,988	534,597	571,499
Accumulated other comprehensive income	26,913	12,420	25,297
Total stockholders equity	729,960	666,091	723,400

Total liabilities and stockholders equity	$	823,427	$	776,356	$	817,679

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

Simpson Manufacturing Co., Inc. and Subsidiaries

Condensed Consolidated Statements of Operations

(In thousands except per-share amounts, unaudited)

	Three Months Ended March 31, 2008		Three Months Ended March 31, 2007	
Net sales	$	167,656	$	193,155
Cost of sales		111,398		121,533
Gross profit		56,258		71,622
Operating expenses:				
Research and development and other engineering		5,103		5,260
Selling		19,807		18,154
General and administrative		17,874		21,638
		42,784		45,052
Income from operations		13,474		26,570
Loss on equity method investment, before tax				(33)
Interest income, net		1,128		1,374
Income before income taxes		14,602		27,911
Provision for income taxes		6,250		10,621
Net income	$	8,352	$	17,290
Net income per common share				
Basic	$	0.17	$	0.36
Diluted	$	0.17	$	0.35
Cash dividends declared per common share	$	0.10	$	0.10
Number of shares outstanding				
Basic		48,574		48,414
Diluted		48,931		48,886

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

Simpson Manufacturing Co., Inc. and Subsidiaries

Condensed Consolidated Statements of Stockholders Equity

for the three months ended March 31, 2007 and 2008 and the nine months ended December 31, 2007

(In thousands except per-share amounts, unaudited)

	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance, January 1, 2007	48,412	$ 484	$ 114,535	$ 526,346	$ 11,494	$	$ 652,859
Comprehensive income:							
Net income				17,290			17,290
Other comprehensive income:							
Translation adjustment, net of tax of $17					926		926
Comprehensive income							18,216
Options exercised	110	1	1,917				1,918
Stock compensation			1,468				1,468
Tax benefit of options exercised			363				363
Cash dividends declared on Common stock ($0.10 per share)				(4,849)			(4,849)
Common stock issued at $31.65 per share	10		307				307
Repurchase of common stock	(122)					(4,191)	(4,191)
Retirement of common stock		(1)		(4,190)		4,191	
Balance, March 31, 2007	48,410	484	118,590	534,597	12,420		666,091
Comprehensive income:							
Net income				51,452			51,452
Other comprehensive income:							
Translation adjustment, net of tax of $44					12,877		12,877
Comprehensive income							64,329
Options exercised	142	1	2,913				2,914
Stock compensation			4,425				4,425
Tax benefit of options exercised			191				191
Cash dividends declared on common stock ($0.30 per share)				(14,550)			(14,550)
Balance, December 31, 2007	48,552	485	126,119	571,499	25,297		723,400
Comprehensive income:							
Net income				8,352			8,352
Other comprehensive income:							
Translation adjustment, net of tax of $17					1,616		1,616
Comprehensive income							9,968
Options exercised	26	1	507				508
Stock compensation			765				765
Tax benefit of options exercised			(65)				(65)
Cash dividends declared on Common stock ($0.10 per share)				(4,863)			(4,863)
Common stock issued at $26.59 per share	9		247				247
Balance, March 31, 2008	48,587	$ 486	$ 127,573	$ 574,988	$ 26,913	$	$ 729,960

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

Simpson Manufacturing Co., Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(In thousands, unaudited)

	Three Months Ended March 31, 2008	2007
Cash flows from operating activities		
Net income	$ 8,352	$ 17,290
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss (gain) on sale of assets	2	(6)
Depreciation and amortization	7,420	7,078
Deferred income taxes	172	(507)
Noncash compensation related to stock plans	936	1,677
Loss in equity method investment		33
Excess tax benefit of options exercised	(25)	(431)
Provision for (recovery of) doubtful accounts	(727)	271
Changes in operating assets and liabilities, net of effects of acquisitions:		
Trade accounts receivable	(17,788)	(30,629)
Inventories	(8,514)	9,069
Trade accounts payable	2,069	11,396
Income taxes payable	3,043	8,504
Accrued profit sharing trust contributions	(6,228)	1,687
Accrued cash profit sharing and commissions	512	528
Other current assets	(2,650)	(3,471)
Accrued liabilities	(4,196)	(3,735)
Other long-term liabilities	1,474	(1,714)
Other noncurrent assets	(415)	1,737
Net cash provided by (used in) operating activities	(16,563)	18,777
Cash flows from investing activities		
Capital expenditures	(2,849)	(14,164)
Proceeds from sale of capital assets	19	20
Asset acquisitions		(327)
Net cash used in investing activities	(2,830)	(14,471)
Cash flows from financing activities		
Line of credit borrowings	2,206	2,347
Repayment of debt and line of credit borrowings		(2)
Repurchase of common stock		(4,191)
Issuance of common stock	508	1,918
Excess tax benefit of options exercised	25	431
Dividends paid	(4,857)	(3,875)
Net cash used in financing activities	(2,118)	(3,372)
Effect of exchange rate changes on cash	(250)	77
Net increase (decrease) in cash and cash equivalents	(21,761)	1,011
Cash and cash equivalents at beginning of period	186,142	148,299
Cash and cash equivalents at end of period	$ 164,381	$ 149,310
Noncash activity during the period		
Noncash capital expenditures	$ 161	$ 1,438
Dividends declared but not paid	$ 4,863	$ 4,849

Issuance of Company s common stock for compensation	$	247	$	307
Noncash asset acquisition	$		$	608

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

Simpson Manufacturing Co., Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Basis of Presentation

Principles of Consolidation

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

Interim Period Reporting

The accompanying unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations for reporting on Form 10-Q. Accordingly, certain information and footnotes required by accounting principles generally accepted in the United States of America have been condensed or omitted. These interim statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company s 2007 Annual Report on Form 10-K (the 2007 Annual Report).

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

Revenue Recognition

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

Allowance for Doubtful Accounts

The Company assesses the collectibility of specific customer accounts that would be considered doubtful based upon the customer s financial condition, payment history, credit rating and other factors that the Company considers relevant, or accounts that the Company assigns for collection. The Company reserves for the portion of those outstanding balances that the Company believes it is not likely to collect based on historical collection experience. The Company also reserves 100% of the amount that it deems potentially uncollectible due to a customer s bankruptcy or deteriorating financial condition. If the financial condition of the Company s customers were to deteriorate, resulting in inability to make payments, additional allowances may be required.

Net Income Per Common Share

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

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

(in thousands, except per-share amounts)	Three Months Ended, March 31, 2008 Income	Shares	Per Share	Three Months Ended, March 31, 2007 Income	Shares	Per Share
Basic EPS						
Income available to common stockholders	$ 8,352	48,574	$ 0.17	$ 17,290	48,414	$ 0.36
Effect of Dilutive Securities						
Stock options		357			472	(0.01)
Diluted EPS						
Income available to common stockholders	$ 8,352	48,931	$ 0.17	$ 17,290	48,886	$ 0.35

Anti-dilutive shares attributable to outstanding stock options were excluded from the calculation of diluted net income per share. For both the three months ended March 31, 2008 and 2007, 1.1 million shares subject to stock options were anti-dilutive.

Accounting for Stock-Based Compensation

The Company maintains two stock option plans under which it may grant incentive stock options and non-qualified stock options, although the Company has granted only non-qualified stock options under these plans. The Simpson Manufacturing Co., Inc. 1994 Stock Option Plan (the 1994 Plan) is principally for the Company s employees and the Simpson Manufacturing Co., Inc. 1995 Independent Director Stock Option Plan (the 1995 Plan) is for its independent directors. The Company generally grants options under each of the 1994 Plan and the 1995 Plan once each year. The exercise price per share under each option granted in April and February 2008 and February 2007 under the 1994 Plan equaled the closing market price per share of the Company s Common Stock as reported by the New York Stock Exchange for the day preceding the date that the Company s Board of Directors approved the grant. The exercise price per share under each option granted under the 1995 Plan is at the fair market value on the date specified in the 1995 Plan. Options vest and expire according to terms established at the grant date.

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

The following table represents the Company s stock option activity for the three months ended March 31, 2008 and 2007:

(in thousands)	Three Months Ended March 31, **2008**		Three Months Ended March 31, **2007**	
Stock option expense recognized in operating expenses	$	900	$	1,545
Tax benefit of stock option expense in provision for income taxes		355		589
Stock option expense, net of tax	$	545	$	956
Fair value of shares vested	$	765	$	1,468
Proceeds to the Company from the exercise of stock options	$	508	$	1,918
Tax benefit from exercise of stock options	$	(65)	$	363

	At March 31, **2008**		At March 31, **2007**	
Stock option cost capitalized in inventory	$	117	$	188

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

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

In April 2008, the Company s Board of Directors approved the grant of stock options on an additional 14 thousand shares at an exercise price of $25.74.

Fair Value of Financial Instruments

Statement of Financial Accounting Standards (SFAS) No. 157 establishes a valuation hierarchy for disclosure of the inputs used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument; Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value. A financial asset s or liability s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The Company only has Treasury Instruments and money market funds aggregating $63.4 million, which are maintained in cash equivalents and are carried at fair value, approximating cost, based upon Level 1 inputs.

Recently Issued Accounting Standards

In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 141(R), Business Combinations. SFAS No. 141(R) requires the acquiring entity in a business combination to recognize the full fair value of assets acquired and liabilities assumed in the transaction (whether a full or partial acquisition); establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; requires expensing of most transaction and restructuring costs; and requires the acquirer to disclose to investors and other users of the information needed to evaluate and understand the nature and financial effect of the business combination. SFAS No. 141(R) applies to all transactions or other events in which the Company obtains control of one or more businesses, including combinations achieved without the transfer of consideration, for example, by contract alone or through the lapse of minority veto rights. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after January 1, 2009, except that resolution of certain tax contingencies and adjustments to valuation allowances related to business combinations, which previously were adjusted to goodwill, will be adjusted to income tax expense for all such adjustments after January 1, 2009, regardless of the date of the original business combination. Management has not yet determined the effect, if any, on the Company s financial statements for its fiscal year ending December 31, 2009.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51. SFAS No. 160 requires reporting entities to present noncontrolling (minority) interests as equity (as opposed to a liability or mezzanine equity) and provides guidance on the accounting for transactions between an entity and noncontrolling interests. SFAS No. 160 applies prospectively as of January 1, 2009, except for the presentation and disclosure requirements, which will be applied retrospectively for all periods presented. Management has not yet determined the effect, if any, on the Company s financial statements for its fiscal year ending December 31, 2009.

In September 2006, the FASB finalized SFAS No. 157 which became effective January 1, 2008, except as amended by FASB Staff Position (FSP) Financial Accounting Standard (FAS) 157-1 and FSP FAS 157-2. This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements, but does not require any new fair value measurements. The provisions of SFAS No. 157 were applied prospectively to fair value measurements and disclosures for financial assets and financial liabilities recognized or disclosed at fair value in the financial statements on at least an annual basis beginning in the first quarter of 2008. The adoption of this statement did not have a material effect on the interim condensed consolidated financial statements for fair value measurements made during the first quarter of 2008. While the Company does not expect the adoption of this statement to have a material effect on its interim condensed consolidated financial statements in subsequent reporting periods, the Company continues to monitor any additional implementation guidance that is issued that addresses the fair value measurements for financial and nonfinancial assets and nonfinancial liabilities not disclosed at fair value in the financial statements on at least an annual basis.

In February 2008, the FASB issued FSP FAS 157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Its Related Interpretive Accounting Pronouncements That Address Leasing Transactions, and FSP FAS 157-2, Effective Date of FASB Statement No. 157. FSP FAS 157-1 removes leasing from the scope of SFAS No. 157, Fair Value Measurements. FSP FAS 157-2 delays the effective date of SFAS No. 157 from 2008 to 2009 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually).

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 allows entities to choose to elect, at specified dates, to measure eligible financial instruments at fair value. Entities must report unrealized gains and losses on items for which the fair value option has been elected in earnings. The Company did not make any fair value elections in connection with its adoption of the provisions of SFAS No. 159 for financial assets and financial liabilities during the quarter ended March 31, 2008.

2. Trade Accounts Receivable, net

Trade accounts receivable consist of the following:

(in thousands)	At March 31, 2008	2007	At December 31, 2007
Trade accounts receivable	$ 112,019	$ 131,380	