

SIMPSON MANUFACTURING CO INC /CA/
Form 10-Q
May 08, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: **March 31, 2012**

OR

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

For the transition period from _____ to _____

Commission file number: **1-13429**

Simpson Manufacturing Co., Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of incorporation
or organization)

94-3196943
(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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Accelerated filer

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

Smaller reporting company

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

The number of shares of the registrant's common stock outstanding as of March 31, 2012: 48,309,948

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Simpson Manufacturing Co., Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(In thousands, unaudited)

	2012	March 31, 2011	December 31, 2011
ASSETS			
Current assets			
Cash and cash equivalents	\$ 160,092	\$ 301,231	\$ 213,817
Trade accounts receivable, net	107,257	91,076	76,420
Inventories	184,068	166,966	180,129
Deferred income taxes	12,139	10,360	11,774
Assets held for sale		9,148	6,793
Other current assets	14,095	11,927	13,131
Total current assets	477,651	590,708	502,064
Property, plant and equipment, net	209,460	184,606	195,716
Goodwill	130,556	71,338	99,849
Intangible assets, net	43,484	22,896	27,856
Equity method investment		200	
Other noncurrent assets	5,860	13,422	10,602
Total assets	\$ 867,011	\$ 883,170	\$ 836,087
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Line of credit and current portion of long-term debt	\$ 3,556	\$	\$
Trade accounts payable	35,109	29,822	22,034
Accrued liabilities	35,746	31,831	36,156
Income taxes payable	1,193		
Accrued profit sharing trust contributions	1,683	6,508	4,477
Accrued cash profit sharing and commissions	6,598	5,396	3,446
Accrued workers' compensation	5,485	4,715	5,474
Total current liabilities	89,370	78,272	71,587
Long-term debt, net of current portion	240		
Long-term liabilities	6,300	7,833	6,137
Total liabilities	95,910	86,105	77,724
Commitments and contingencies (Note 7)			
Stockholders' equity			
Common stock, at par value	482	500	481
Additional paid-in capital	174,831	167,025	170,483
Retained earnings	581,779	608,056	580,616

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Accumulated other comprehensive income	14,009	21,484	6,783
Total stockholders' equity	771,101	797,065	758,363
Total liabilities and stockholders' equity	\$ 867,011	\$ 883,170	\$ 836,087

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,	
	2012	2011
Net sales	\$ 158,734	\$ 132,536
Cost of sales	89,329	75,588
Gross profit	69,405	56,948
Operating expenses:		
Research and development and other engineering	9,198	5,994
Selling	20,432	17,075
General and administrative	26,244	21,621
Loss (gain) on sale of assets	23	(25)
	55,897	44,665
Income from operations	13,508	12,283
Loss in equity method investment, before tax		(14)
Interest income, net	65	72
Income before taxes	13,573	12,341
Provision for income taxes	6,372	5,263
Net income	\$ 7,201	\$ 7,078
Earnings per common share:		
Basic	\$ 0.15	\$ 0.14
Diluted	\$ 0.15	\$ 0.14
Number of shares outstanding		
Basic	48,273	50,107
Diluted	48,337	50,165
Cash dividends declared per common share	\$ 0.125	\$ 0.125

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

Simpson Manufacturing Co., Inc. and Subsidiaries

Statements of Comprehensive Income

(In thousands, unaudited)

	Three Months Ended	
	March 31,	
	2012	2011
Net Income	\$ 7,201	\$ 7,078
Other comprehensive income		
Translation adjustment, net of tax of \$23 and (\$1) at March 31, 2012 and 2011, respectively	7,226	6,857
	7,226	6,857
Comprehensive income	\$ 14,427	\$ 13,935

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, 2011 and 2012 and nine months ended December 31, 2011

(In thousands except per-share amounts, unaudited)

	Common Stock		Additional	Retained	Accumulated	Treasury	Total
	Shares	Par Value	Paid-in	Earnings	Other	Stock	
			Capital		Comprehensive		
					Income (Loss)		
Balance, January 1, 2011	50,096	\$ 500	\$ 165,425	\$ 607,241	\$ 14,627		\$ 787,793
Net income				7,078			7,078
Translation adjustment, net of tax of (\$1)					6,857		6,857
Stock options exercised	6		154				154
Stock compensation			1,281				1,281
Tax effect of options exercised			(39)				(39)
Cash dividends declared on common stock, \$0.125 per share				(6,263)			(6,263)
Common stock issued at \$30.91 per share for stock bonus	7		204				204
Balance, March 31, 2011	50,109	500	167,025	608,056	21,484		797,065
Net income				43,822			43,822
Translation adjustment, net of tax of \$0					(14,701)		(14,701)
Stock options exercised	2		60				60
Stock compensation			4,913				4,913
Tax effect of options exercised			(1,515)				(1,515)
Repurchase of common stock	(1,948)					(53,208)	(53,208)
Retirement of common stock		(19)		(53,189)		53,208	
Cash dividends declared on common stock, \$0.375 per share				(18,073)			(18,073)
Balance, December 31, 2011	48,163	481	170,483	580,616	6,783		758,363
Net income				7,201			7,201
Translation adjustment, net of tax of \$23					7,226		7,226
Stock options exercised	74	1	1,757				1,758
Stock compensation			3,110				3,110
Tax effect of options exercised			(2)				(2)
Shares issued from release of RSU	61		(935)				(935)
Cash dividends declared on common stock, \$0.125 per share				(6,038)			(6,038)
Common stock issued at \$33.71 per share for stock bonus	12		418				418
Balance, March 31, 2012	48,310	\$ 482	\$ 174,831	\$ 581,779	\$ 14,009	\$	\$ 771,101

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,	
	2012	2011
Cash flows from operating activities		
Net income	\$ 7,201	\$ 7,078
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Loss (gain) on sale of assets	23	(25)
Depreciation and amortization	6,721	4,972
Impairment loss on assets held for sale	461	
Deferred income taxes	(205)	(740)
Noncash compensation related to stock plans	3,184	1,521
Loss in equity method investment		14
Excess tax benefit of options exercised	(99)	4
Provision for doubtful accounts	(87)	126
Changes in operating assets and liabilities, net of acquisitions:		
Trade accounts receivable	(26,585)	(21,896)
Inventories	3,154	(13,103)
Trade accounts payable	10,379	(6,250)
Income taxes payable	3,899	2,943
Accrued profit sharing trust contributions	(2,802)	905
Accrued cash profit sharing and commissions	3,115	2,534
Other current assets	723	(692)
Accrued liabilities	(9,865)	(647)
Long-term liabilities	313	627
Accrued workers' compensation	10	31
Other noncurrent assets	(1,100)	190
Net cash provided by (used in) operating activities	640	(22,408)
Cash flows from investing activities		
Capital expenditures	(3,249)	(10,095)
Asset acquisitions, net of cash acquired	(56,040)	
Proceeds from sale of property and equipment	6,847	1,786
Net cash used in investing activities	(52,442)	(8,309)
Cash flows from financing activities		
Repayment of debt and line of credit borrowings	(41)	
Issuance of common stock	1,758	154
Excess tax benefit of options exercised	99	(4)
Dividends paid	(6,020)	(5,010)
Net cash used in financing activities	(4,204)	(4,860)
Effect of exchange rate changes on cash and cash equivalents	2,281	1,759
Net decrease in cash and cash equivalents	(53,725)	(33,818)
Cash and cash equivalents at beginning of period	213,817	335,049
Cash and cash equivalents at end of period	\$ 160,092	\$ 301,231
Noncash activity during the period		
Noncash capital expenditures	\$ 70	\$ 66
Dividends declared but not paid	6,038	6,263

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Issuance of Company's common stock for compensation	418	204
Asset acquisitions	786	

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 (GAAP) 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 Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (the 2011 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 GAAP. The year-end condensed consolidated balance sheet data were derived from audited financial statements, but do not include all disclosures required by GAAP. 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 after-market repair and maintenance, engineering activities, software license sales and services and lease income, though significantly less than 1% of net sales and not material to the consolidated financial statements, are recognized as the services are completed or the software products and services are

delivered. If actual costs of sales returns, incentives and discounts were to significantly exceed the recorded estimated allowance, the Company's sales would be adversely affected.

Net Earnings Per Common Share

Basic earnings 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 earnings per share (EPS) to diluted EPS:

(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2012	2011
Net income available to common stockholders	\$ 7,201	\$ 7,078
Basic weighted average shares outstanding	48,273	50,107
Dilutive effect of potential common stock equivalents stock options	64	58
Diluted weighted average shares outstanding	48,337	50,165
Earnings per common share:		
Basic	\$ 0.15	\$ 0.14
Diluted	\$ 0.15	\$ 0.14
Potentially dilutive securities excluded from earnings per diluted share because their effect is anti-dilutive	1,347	1,743

Accounting for Stock-Based Compensation

With the approval of the Company's stockholders on April 26, 2011, the Company adopted the Simpson Manufacturing Co., Inc. 2011 Incentive Plan (the 2011 Plan). The 2011 Plan amended and restated in their entirety, and incorporated and superseded, both the Simpson Manufacturing Co., Inc. 1994 Stock Option Plan (the 1994 Plan), which was principally for the Company's employees, and the Simpson Manufacturing Co., Inc. 1995 Independent Director Stock Option Plan (the 1995 Plan), which was for its independent directors. Options previously granted under the 1994 Plan or the 1995 Plan will not be affected by the adoption of the 2011 Plan and will continue to be governed by the 1994 Plan or the 1995 Plan, respectively.

Under the 1994 Plan, the Company could grant incentive stock options and non-qualified stock options. The Company has, however, granted only non-qualified stock options under both the 1994 Plan and the 1995 Plan. The Company generally granted options under each of the 1994 Plan and the 1995 Plan once each year. The exercise price per share of each option granted in February 2011 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 on the day preceding the day that the Compensation and Leadership Development Committee of the Company's Board of Directors met to approve the grant of the options. The exercise price per share under each option granted under the 1995 Plan was 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. 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. Shares of common stock issued on exercise of stock options under the 1994 Plan and the 1995 Plan are registered under the Securities Act of 1933.

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Under the 2011 Plan, the Company may grant incentive stock options, non-qualified stock options, restricted stock and restricted stock units, although the Company currently intends to award primarily restricted stock units and to a lesser extent, if at all, non-qualified stock options. The Company does not currently intend to award incentive stock options or restricted stock. Under the 2011 Plan, no more than 16.3 million shares of the Company's common stock may be issued (including shares already sold) pursuant to all awards under the 2011 Plan, including on exercise of options previously granted under the 1994 Plan and the 1995 Plan. Shares of common stock to be issued pursuant to the 2011 Plan are registered under the Securities Act of 1933.

The following table represents the Company's stock option and restricted stock unit activity for the three months ended March 31, 2012 and 2011:

(in thousands)

	Three Months Ended March 31,	
	2012	2011
Stock-based compensation expense recognized in operating expenses	\$ 3,068	\$ 1,449
Tax benefit of stock-based compensation expense in provision for income taxes	1,066	522
Stock-based compensation expense, net of tax	\$ 2,002	\$ 927
Fair value of shares vested	\$ 3,110	\$ 1,281
Proceeds to the Company from the exercise of stock-based compensation	\$ 1,758	\$ 154
Tax effect from exercise of stock-based compensation, including shortfall tax benefits	\$ (2)	\$ (39)

	At March 31,	
	2012	2011
Stock-based compensation cost capitalized in inventory	\$ 387	\$ 115

The amounts included in cost of sales, research and development and other engineering, selling, or general and administrative expense depend on the job functions performed by the employees to whom the stock options and restricted stock units were awarded.

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

Fair Value of Financial Instruments

The Fair Value Measurements and Disclosures topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification™ (ASC) 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 the Company's 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.

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As of March 31, 2012, the Company's investments consisted of only United States Treasury securities and money market funds aggregating \$70.0 million, which are maintained in cash equivalents and are carried at cost, approximating fair value, based on Level 1 inputs. All other financial assets and financial liabilities, including accounts receivable, accounts payable, accrued liabilities and long-term debt, are carried at cost, approximating fair value, based on Level 3 inputs.

Income Taxes

The Company uses an estimated annual effective tax rate to measure the tax benefit or tax expense recognized in each interim period.

The following table presents the Company's effective tax rates and income tax expense for the three months ended March 31, 2012 and 2011:

(in thousands, except percentage amounts)

	Three Months Ended March 31,	
	2012	2011
Effective tax rate	46.9%	42.6%
Provision for income taxes	\$ 6,372	\$ 5,263

Acquisitions

In January 2012, the Company purchased all the shares of S&P Clever Reinforcement Company AG and S&P Clever International AG, both companies incorporated under the laws of Switzerland (collectively, "S&P Clever"), for \$58.1 million, subject to post-closing adjustments. S&P Clever manufactures and sells engineered materials to repair, strengthen and restore concrete and masonry construction and has operations in Switzerland, Germany, Portugal, Poland, The Netherlands and Austria. Payments under the purchase agreement include cash payments of \$57.5 million and contingent consideration of \$0.6 million payable over a three year period if sales goals are met. As a result of the acquisition, the Company has increased its presence in the infrastructure, commercial and industrial construction market in Europe, resulting in goodwill being recorded with this transaction. The Company's provisional measurement of assets acquired and liabilities assumed included cash and cash equivalents of \$6.8 million, other current assets of \$9.9 million, non-current assets of \$54.2 million, current liabilities of \$12.6 million and non-current liabilities of \$0.2 million. Included in non-current assets is goodwill of \$26.1 million, which was assigned to the European segment and is not deductible for tax purposes, and intangible assets of \$15.0 million, which is deductible for tax purposes.

In March 2012, the Company purchased substantially all the assets of CarbonWrap Solutions, L.L.C. ("CarbonWrap") for \$5.5 million, subject to post-closing adjustments. CarbonWrap develops fiber-reinforced polymer products primarily for infrastructure and transportation projects. Payments under the purchase agreement total \$5.3 million in cash and contingent consideration of \$0.2 million to be paid on resolution of specified post-closing contingencies to the principal officer of CarbonWrap, who is now employed by the Company. Goodwill of \$3.6 million was assigned to the North American segment and is deductible for tax purposes. Intangible assets were valued at \$1.6 million and are subject to tax deductible amortization. Net tangible assets of accounts receivable, inventory, equipment and prepaid expenses accounted for the balance of the purchase price.

Under the business combinations topic of the FASB ASC, the Company accounted for these acquisitions as business combinations and ascribed acquisition-date fair values to the acquired assets and assumed liabilities. Provisional fair value measurements were made in the first quarter 2012 for acquired assets and assumed liabilities. Adjustments to those measurements may be made in subsequent periods, up to one year from the acquisition date, as information necessary to complete the analysis is obtained. Fair value of intangible assets was based on Level 3 inputs.

The Company expects the measurement process for each acquisition to be finalized within a year of its date.

Proforma financial information is not presented as it would not be materially different from the information presented, in the Condensed Consolidated Statements of Operations.

Recently Adopted Accounting Standards

Effective January 1, 2012, the Company adopted the guidance codified in the *Comprehensive Income* topic of the FASB ASC, amending the comprehensive income guidance to eliminate the option to present components of other comprehensive income as part of the statement of stockholders' equity. This amendment requires that all non-owner changes in stockholders' equity be presented in a single continuous statement or in two separate but consecutive statements. The Company has chosen to present comprehensive income in two separate consecutive statements. The implementation of this amended accounting guidance did not have a material effect on the Company's consolidated financial position and results of operations.

Recently Issued Accounting Standards

Other recent authoritative guidance issued by the FASB (including technical corrections to the ASC), the American Institute of Certified Public Accountants and the Securities and Exchange Commission did not or is not expected to have a material effect on the Company's consolidated financial statements.

2. Trade Accounts Receivable, Net

Trade accounts receivable consisted of the following:

(in thousands)

	2012	At March 31,	2011	At December 31,
				2011
Trade accounts receivable	\$ 110,133		\$ 94,641	\$ 78,642
Allowance for doubtful accounts	(1,086)		(1,457)	(991)
Allowance for sales discounts and returns	(1,790)		(2,108)	(1,231)
	\$ 107,257		\$ 91,076	\$ 76,420

3. Inventories

Inventories consisted of the following:

(in thousands)

	2012	At March 31,	2011	At December 31,
				2011
Raw materials	\$ 72,616		\$ 70,780	\$ 77,364
In-process products	22,226		19,218	21,357
Finished products	89,226		76,968	81,408
	\$ 184,068		\$ 166,966	\$ 180,129

4. Property, Plant and Equipment, Net

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

(in thousands)

	2012	At March 31,	2011	At December 31,	2011
Land	\$ 32,601		\$ 29,287		\$ 28,996
Buildings and site improvements	165,085		143,227		153,597
Leasehold improvements	3,793		3,794		3,820
Machinery and equipment	211,042		187,819		208,292
	412,521		364,127		394,705
Less accumulated depreciation and amortization	(206,971)		(194,869)		(201,540)
	205,550		169,258		193,165
Capital projects in progress	3,910		15,348		2,551
	\$ 209,460		\$ 184,606		\$ 195,716

5. Goodwill and Intangible Assets, Net

Goodwill was as follows:

(in thousands)

	At March 31,		At December 31,	
	2012	2011	2011	2011
North America	\$ 77,606	\$ 41,871	\$ 73,901	
Europe	50,975	27,500	24,000	
Asia/Pacific	1,975	1,967	1,948	
Total	\$ 130,556	\$ 71,338	\$ 99,849	

Intangible assets, net, were as follows:

(in thousands)

	At March 31, 2012		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
North America	\$ 34,552	\$ (14,304)	\$ 20,248
Europe	28,953	(5,717)	23,236
Total	\$ 63,505	\$ (20,021)	\$ 43,484

	At March 31, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
North America	\$ 24,022	\$ (11,443)	\$ 12,579
Europe	15,078	(4,761)	10,317
Total	\$ 39,100	\$ (16,204)	\$ 22,896

	At December 31, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
North America	\$ 32,912	\$ (13,288)	\$ 19,624
Europe	13,114	(4,882)	8,232
Total	\$ 46,026	\$ (18,170)	\$ 27,856

Intangible assets consist primarily of customer relationships, patents, unpatented technology and non-compete agreements. Amortization expense for intangible assets during the three months ended March 31, 2012 and 2011, totaled \$1.9 million and \$1.1 million, respectively.

At March 31, 2012, estimated future amortization of intangible assets was as follows:

(in thousands)

Final nine months of 2012	\$	5,227
2012		6,550
2013		6,334
2014		5,566
2015		5,410
2016		3,912
Thereafter		10,485
	\$	43,484

The changes in the carrying amount of goodwill and intangible assets from December 31, 2011, to March 31, 2012, were as follows:

(in thousands)

	Goodwill		Intangible Assets	
Balance at December 31, 2011	\$	99,849	\$	27,856
Acquisitions		29,674		16,638
Amortization				(1,851)
Foreign exchange		1,033		841
Balance at March 31, 2012	\$	130,556	\$	43,484

6. Debt

The Company has revolving lines of credit with various banks in the United States and Europe. Total available credit at March 31, 2012, was \$206.5 million including revolving credit lines. The Company's primary credit facility, a revolving line of credit with \$200.0 million in available credit, charges interest at LIBOR plus 0.27% (at March 31, 2012, LIBOR plus 0.27% was 0.51%), expires in October 2012, and has commitment fees payable at the annual rate of 0.08% on the unused portion of the facility. The borrowing capacity of other revolving credit lines and a term note totaled \$10.2 million at March 31, 2012. The other revolving credit lines and term note charge interest ranging from 1.6% to 3.8%, have maturity dates from December 2012 to September 2020 and total outstanding balances of \$3.8 million at March 31, 2012. Included in the total outstanding amount is a long-term debt balance of \$0.2 million. There were no outstanding balances due on March 31, 2011, and December 31, 2011. The Company was in compliance with its financial covenants at March 31, 2012.

7. Commitments and Contingencies

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Note 9 to the consolidated financial statements in the 2011 Annual Report provides information concerning commitments and contingencies. From time to time, the Company is involved in various legal proceedings and other matters arising in the normal course of business. The resolution of claims and litigation is subject to inherent uncertainty and could have a material adverse effect on the Company's financial condition, cash flows and results of operations.

The Company's policy with regard to environmental liabilities is to accrue for future environmental assessments and remediation costs when information becomes available that indicates that it is probable that the Company is liable for any related claims and assessments and the amount of the liability is reasonably estimable. The Company does not believe that these environmental matters will have a material adverse effect on the Company's financial condition, cash flows or results of operations.

Corrosion, hydrogen embrittlement, cracking, material hardness, wood pressure-treating chemicals, misinstallations, misuse, design and assembly flaws, manufacturing defects, environmental conditions or other factors can contribute to failure of fasteners, connectors, tools, anchors, adhesives and venting products. On occasion, some of the fasteners and connectors that the Company sells have failed, although the Company has not incurred any material

liability resulting from those failures. The Company attempts to avoid such failures by establishing and monitoring appropriate product specifications, manufacturing quality control procedures, inspection procedures and information on appropriate installation methods and conditions. The Company subjects its products to extensive testing, with results and conclusions published in Company catalogues and on its websites.

Pending Claims

Four lawsuits (the Cases) have been filed against the Company in the Hawaii First Circuit Court: *Alvarez v. Haseko Homes, Inc. and Simpson Manufacturing, Inc.*, Civil No. 09-1-2697-11 (Case 1); *Ke Noho Kai Development, LLC v. Simpson Strong-Tie Company, Inc., and Honolulu Wood Treating Co., LTD.*, Case No. 09-1-1491-06 SSM (Case 2); *North American Specialty Ins. Co. v. Simpson Strong-Tie Company, Inc. and K.C. Metal Products, Inc.*, Case No. 09-1-1490-06 VSM (Case 3); and *Charles et al. v. Haseko Homes, Inc. et al. and Third Party Plaintiffs Haseko Homes, Inc. et al. v. Simpson Strong-Tie Company, Inc., et al.*, Civil No. 09-1-1932-08 (Case 4). Case 1 was filed on November 18, 2009. Cases 2 and 3 were originally filed on June 30, 2009. Case 4 was filed on August 19, 2009. The Cases all relate to alleged premature corrosion of the Company's strap tie holdown products installed in buildings in a housing development known as Ocean Pointe in Honolulu, Hawaii, allegedly causing property damage. Case 1 is a class action brought by the owners of allegedly affected Ocean Pointe houses. Case 1 was originally filed as *Kai et al. v. Haseko Homes, Inc., Haseko Construction, Inc. and Simpson Manufacturing, Inc.*, Case No. 09-1-1476, but was voluntarily dismissed and then re-filed with a new representative plaintiff. Case 2 is an action by the builders and developers of Ocean Pointe against the Company, claiming that either the Company's strap tie holdowns are defective in design or manufacture or the Company failed to provide adequate warnings regarding the products' susceptibility to corrosion in certain environments. Case 3 is a subrogation action brought by the insurance company for the builders and developers against the Company claiming the insurance company expended funds to correct problems allegedly caused by the Company's products. Case 4 is a putative class action brought, like Case 1, by owners of allegedly affected Ocean Pointe homes. In Case 4, Haseko Homes, Inc. (Haseko), the developer of the Ocean Pointe development, has brought a third party complaint against the Company alleging that any damages for which Haseko may be liable are actually the fault of the Company. None of the Cases alleges a specific amount of damages sought, although each of the Cases seeks compensatory damages, and Case 1 seeks punitive damages. The Company is currently investigating the facts underlying the claims asserted in the Cases, including, among other things, the cause of the alleged corrosion; the severity of any problems shown to exist; the buildings affected; the responsibility of the general contractor, various subcontractors and other construction professionals for the alleged damages; the amount, if any, of damages suffered; and the costs of repair, if needed. At this time, the likelihood that the Company will be found liable for any property damage allegedly suffered and the extent of such liability, if any, are unknown. Management believes the Cases may not be resolved for an extended period. The Company intends to defend itself vigorously in connection with the Cases.

Based on facts currently known to the Company, the Company believes that all or part of the claims alleged in the Cases may be covered by its insurance policies. On April 19, 2011, an action was filed in the United States District Court for the District of Hawaii, *National Union Fire Insurance Company of Pittsburgh, PA v. Simpson Manufacturing Company, Inc., et al.*, Civil No. 11-00254 ACK. In this action, Plaintiff National Union Fire Insurance Company of Pittsburgh, Pennsylvania (National Union), which issued certain Commercial General Liability insurance policies to the Company, seeks declaratory relief in the Cases with respect to its obligations to defend or indemnify the Company, Simpson Strong-Tie Company Inc., and a vendor of the Company's strap tie holdown products. By Order dated November 7, 2011, all proceedings in the *National Union* action have been stayed. If the stay is lifted and the National Union action is not dismissed, the Company intends vigorously to defend all claims advanced by National Union.

On April 12, 2011, Fireman's Fund Insurance Company (Fireman's Fund), another of the Company's general liability insurers, sued Hartford Fire Insurance Company (Hartford), a third insurance company from whom the Company purchased general liability insurance, in the United States District Court for the Northern District of California, *Fireman's Fund Insurance Company v. Hartford Fire Insurance Company*, Civil No. 11 1789 SBA (the *Fireman's Fund* action). The Company has intervened in the *Fireman's Fund* action and has moved to stay all proceedings in that action as well, pending resolution of the underlying Ocean Pointe Cases.

On November 21, 2011, the Company commenced a lawsuit against National Union, Fireman's Fund, Hartford and others in the Superior Court of the State of California in and for the City and County of San Francisco (the *San Francisco* coverage action). In the *San Francisco* coverage action, the Company alleges generally that the separate pendency of the *National Union* action and the *Fireman's Fund* action presents a risk of inconsistent adjudications; that the San Francisco Superior Court has jurisdiction over all of the parties and should exercise jurisdiction at the appropriate time to resolve any and all disputes that have arisen or may in the future arise among the Company and its liability insurers; and that the *San Francisco* coverage action should also be stayed pending resolution of the underlying Ocean Pointe Cases. The Company intends to move for such a stay if necessary.

Nishimura v. Gentry Homes, Ltd; Simpson Manufacturing Co., Inc.; and Simpson Strong-Tie Company, Inc., Civil no. 11-1-1522-07, was filed in the Circuit Court of the First Circuit of Hawaii on July 20, 2011. The case alleges premature corrosion of the Company's strap tie holdown products in a housing development at Ewa Beach in Honolulu, Hawaii. The case is a putative class action brought by owners of allegedly affected homes. The Complaint alleges that the Company's strap products and mudsill anchors are insufficiently corrosion resistant and/or fail to comply with Honolulu's building code. The Company is currently investigating the claims asserted in the complaint, including, among other things: the existence and extent of the alleged corrosion, if any; the building code provisions alleged to be applicable and, if applicable, whether the products complied; the buildings affected; the responsibility of the general contractor, various subcontractors and other construction professionals for the alleged damages; the amount, if any, of damages suffered; and the costs of repair, if any are needed. At this time, the likelihood that the Company will be found liable for any damage allegedly suffered and the extent of such liability, if any, are unknown. The Company denies any liability of any kind and intends to defend itself vigorously in this case.

8. Stock-Based Incentive Plans

The Company currently has one stock-based incentive plan, which incorporates and supersedes its two previous plans (see Note 1 Basis of Presentation *Accounting for Stock-Based Compensation*). Participants are granted stock-based awards only if the applicable Company-wide or profit-center operating goals, or both, established by the Compensation and Leadership Development Committee of the Board of Directors at the beginning of the year, are met. Certain participants may have additional goals based on strategic initiatives of the Company.

The fair value of each restricted stock unit award is estimated on the date of the award based on the closing market price of the underlying stock on the day preceding the date of the award. On January 30, 2012, 361,061 restricted stock units were awarded, including 8,550 awarded to the Company's independent directors, at an estimated value of \$33.23 per share, based on the closing price on January 27, 2012. The restrictions on these awards generally lapse one quarter on the date of the award and one quarter on each of the first, second and third anniversaries of the date of the award.

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

Black-Scholes option pricing model assumptions for stock options granted in 2011 are as follows:

Number	Risk-	Weighted
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of Options Granted (in thousands)	Grant Date	Free Interest Rate	Dividend Yield	Expected Life	Volatility	Exercise Price	Average Fair Value
1994 Plan							
1,362	02/03/11	2.62%	1.75%	6.2 years	39.0%	\$ 29.66 to \$32.63	\$ 10.33
1995 Plan							
30	02/15/11	2.92%	1.76%	6.6 years	38.0%	\$ 29.58	\$ 10.49

No stock options were granted in 2012.

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The following table summarizes the Company's unvested restricted stock unit activity for the three months ended March 31, 2012:

Unvested Restricted Stock Units (RSUs)	Shares (in thousands)	Weighted- Average Price	Aggregate Intrinsic Value * (in thousands)
Outstanding at January 1, 2012		\$	
Awarded	361	33.23	
Vested	(93)	33.23	
Forfeited	(1)	33.23	
Outstanding at March 31, 2012	267	\$ 33.23	\$ 8,612
Outstanding and expected to vest at March 31, 2012	259	\$ 33.23	\$ 8,356

* The intrinsic value is calculated using the closing price per share of \$32.25 as reported by the New York Stock Exchange on March 30, 2012.

The total intrinsic value of restricted stock units vested during the three months ended March 31, 2012, was \$3.1 million, based on the market value on the award date.

The following table summarizes the Company's stock option activity for the three months ended March 31, 2012:

Non-Qualified Stock Options	Shares (in thousands)	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value * (in thousands)
Outstanding at January 1, 2012	2,134	\$ 31.15		
Exercised	(74)	23.68		
Forfeited	(17)	34.86		
Outstanding at March 31, 2012	2,043	\$ 31.39	4.6	\$ 5,105
Outstanding and expected to vest at March 31, 2012	2,000	\$ 31.44	4.5	\$ 4,976
Exercisable at March 31, 2012	963	\$ 33.82	3.2	\$ 1,835

* The intrinsic value represents the amount, if any, by which the fair market value of the underlying common stock exceeds the exercise price of the stock option, using the closing price per share of \$32.25 as reported by the New York Stock Exchange on March 30, 2012.

The total intrinsic value of stock options exercised during the three months ended March 31, 2012 and 2011, was \$0.7 million and \$40 thousand, respectively.

A summary of the status of unvested stock options as of March 31, 2012, and changes during the three months ended March 31, 2012, are presented below:

Unvested Options	Shares (in thousands)	Weighted- Average Grant-Date Fair Value
Unvested at January 1, 2012	1,242	\$ 10.11
Vested	(159)	9.82
Forfeited	(3)	10.33
Unvested at March 31, 2012	1,080	\$ 10.15

As of March 31, 2012, \$14.4 million of total unrecognized compensation cost was related to unvested stock-based compensation arrangements under the 2011 Incentive Plan. This cost is expected to be recognized over a weighted-average period of 2.8 years.

9. Segment Information

The Company is organized into three reportable segments. The segments are defined by the regions where the Company's products are manufactured, marketed and distributed to the Company's customers. The three regional segments are the North American segment, comprising primarily the United States and Canada, the European segment and the Asia/Pacific segment, comprising the Company's operations in China, Hong Kong, the South Pacific and the Middle East. These segments are similar in several ways, including the types of materials, the production processes, the distribution channels and the product applications.

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

(in thousands)

	Three Months Ended March 31,	
	2012	2011
<i>Net Sales</i>		
North America	\$ 127,967	\$ 104,622
Europe	28,237	25,798
Asia/Pacific	2,372	1,877
Administrative and all other	158	239
Total	\$ 158,734	\$ 132,536
<i>Sales to Other Segments*</i>		
North America	\$ 1,372	\$ 1,322
Europe	134	81
Asia/Pacific	3,724	2,111

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Total	\$	5,230	\$	3,514
<i>Income (Loss) from Operations</i>				
North America	\$	17,873	\$	15,091
Europe		(2,372)		(1,454)
Asia/Pacific		(654)		(712)
Administrative and all other		(1,339)		(642)
Total	\$	13,508	\$	12,283

* The sales to other segments are eliminated on consolidation.

(in thousands)

	2012	At March 31,	2011	At December 31, 2011
<i>Total Assets</i>				
North America	\$	546,112	\$	566,939
Europe		201,721		135,146
Asia/Pacific		27,916		24,856
Administrative and all other		91,262		156,229
Total	\$	867,011	\$	883,170
			\$	836,087

Cash collected by the Company's United States subsidiaries is routinely transferred into the Company's cash management accounts and, therefore, has been included in the total assets of Administrative and all other. Cash and cash equivalent balances in the Administrative and all other segment were \$87.4 million, \$237.9 million, and \$68.5 million, as of March 31, 2012 and 2011, and December 31, 2011, respectively.

10. Subsequent Events

In April 2012, the Company's Board of Directors declared a cash dividend of \$0.125 per share, estimated to total \$6.0 million, to be paid on July 26, 2012, to stockholders of record on July 5, 2012.

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

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

The following is a discussion and analysis of the consolidated financial condition and results of continuing operations for the Company for the three months ended March 31, 2012. The following should be read in conjunction with the interim Condensed Consolidated Financial Statements and related Notes appearing elsewhere herein.

Results of Continuing Operations for the Three Months Ended March 31, 2012, Compared with the Three Months Ended March 31, 2011

Income from operations increased 10.0% from \$12.3 million in the first quarter of 2011 to \$13.5 million in the first quarter of 2012. The following table illustrates the differences in the Company's operating results in the three months ended March 31, 2012, from the three months ended March 31, 2011, and the increases or decreases for each category by segment.

(in thousands)

	Three Months Ended March 31, 2011	Increase (Decrease) in Operating Segment				Three Months Ended March 31, 2012
		North America	Europe	Asia/ Pacific	Admin & All Other	
Net sales	\$ 132,536	\$ 23,345	\$ 2,438	\$ 495	\$ (80)	\$ 158,734
Cost of sales	75,588	11,999	1,404	308	30	89,329
Gross profit	56,948	11,346	1,034	187	(110)	69,405
Research and development and other engineering expense	5,994	3,044	29	131		9,198
Selling expense	17,075	2,796	332	208	21	20,432
General and administrative expense	21,621	2,668	1,590	(203)	568	26,244
Loss (gain) on sale of assets	(25)	55		(7)		23
Income (loss) from operations	12,283	2,783	(917)	58	(699)	13,508
Income (loss) in equity method investment, before tax	(14)	14				
Interest income (expense), net	72	24	15	6	(52)	65
Income (loss) before income taxes	12,341	2,821	(902)	64	(751)	13,573
Provision for (benefit from) income taxes	5,263	1,880	62	45	(878)	6,372

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Net income (loss)	\$	7,078	\$	941	\$	(964)	\$	19	\$	127	\$	7,201
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The following table represents net sales by segment for the three months ended March 31, 2011 and 2012:

(in thousands)

	North America	Europe	Asia/ Pacific	Admin & All Other	Total
Three months ended:					
March 31, 2011	\$ 104,622	\$ 25,798	\$ 1,877	\$ 239	\$ 132,536
March 31, 2012	127,967	28,236	2,372	159	158,734
Increase (decrease)	23,345	2,438	495	(80)	26,198
Percentage increase (decrease)	22.3%	9.5%	26.3%	(33.5)%	19.8%

Net sales increased 19.8% from \$132.5 million in the first quarter of 2011 to \$158.7 million in the first quarter of 2012. The increase in net sales resulted from increases in both sales volume and average prices, as average prices increased 2.7% as compared to the first quarter of 2011. The Company had income, net of tax, of \$7.2 million for the first quarter of 2012 compared to income, net of tax, of \$7.1 million for the first quarter of 2011. Diluted income, net of tax, per common share was \$0.15 for the first quarter of 2012 compared to diluted income, net of tax, of \$0.14 per common share for the first quarter of 2011.

In the first quarter of 2012, sales increased throughout North America due in part to a mild winter and, in Europe, due to the recent European acquisition. Sales increases were above average in all regions of the United States, except for California, as compared to the first quarter of 2011. Sales to all distribution channels increased, with above-average increases in sales to contractor distributors and lumber dealers. The sales increase was broad-based across most of the Company's major product lines as compared to the first quarter of 2011.

The following table represents gross profit by segment for the three months ended March 31, 2011 and 2012:

(in thousands)

	North America	Europe	Asia/ Pacific	Admin & All Other	Total
Three months ended:					
March 31, 2011	\$ 48,479	\$ 8,090	\$ 223	\$ 156	\$ 56,948
March 31, 2012	59,825	9,124	410	46	69,405
Increase (decrease)	11,346	1,034	187	(110)	12,457
Percentage increase (decrease)	23.4%	12.8%	83.9%	(70.5)%	21.9%

Gross margins increased slightly from 43.0% in the first quarter of 2011 to 43.7% in the first quarter of 2012, primarily because of lower warehousing and shipping costs as a percentage of sales. Material and labor costs increased as a percentage of sales but were offset by a lower proportion of fixed overhead costs to total costs, resulting primarily from the increased sales volume. Steel prices increased in the first quarter due to increased steel market demand. The Company expects steel prices to remain generally at current levels at least through the first half of 2012.

Operating expenses increased due to integration and incremental expenses associated with recently acquired businesses. Research and development and engineering expense increased 53.5% from \$6.0 million in the first quarter of 2011 to \$9.2 million in the first quarter of 2012, due primarily to an increase in professional fees of \$2.4 million and personnel costs of \$0.3 million. Selling expense increased 19.7% from \$17.1 million in the first quarter of 2011 to \$20.4 million in the first quarter of 2012, due to increases in personnel costs of \$1.5 million, promotional costs of \$0.6 million, stock based compensation of \$0.5 million and cash profit sharing of \$0.4 million. General and administrative expense increased 21.4% from \$21.6 million in the first quarter of 2011 to \$26.2 million in the first quarter of 2012, including increases in personnel costs of \$1.2 million, depreciation of \$0.8 million, intangible amortization expense of \$0.8 million, stock based compensation of \$0.5 million, professional and legal fees of \$0.5 million and an impairment of \$0.5 million associated with the sale of the Company's San Leandro facility in the first quarter of 2012. The changes in operating costs were mostly attributable to the North American segment.

Liquidity and Sources of Capital

As of March 31, 2012, working capital was \$388.3 million as compared to \$512.4 million at March 31, 2011, and \$430.5 million at December 31, 2011. The decrease in working capital from December 31, 2011, was primarily due to decreases in cash and cash equivalents of \$53.7 million and assets held for sale of \$6.8 million, and increases in trade accounts payable of \$13.1 million, current portion of long-term debt of \$3.6 million, accrued cash profit sharing of \$3.2 million and income taxes payable of \$1.2 million. The decrease in cash and cash equivalents was primarily due to the acquisitions of S&P Clever Reinforcement Company AG and S&P Clever Reinforcement International AG (collectively S&P Clever) for \$50.7 million, net of cash received of \$6.8 million, and

CarbonWrap for \$5.3 million, net of contingent consideration of \$0.2 million, partly offset by the sale of the San Leandro property for \$6.4 million, net of closing costs, which also accounted for the decrease in assets held for sale. The increase in trade accounts payable was primarily due to purchases of raw materials which replaced stocks converted into finished goods. The current portion of long-term debt was increased by debt acquired at S&P Clever, while the increase to accrued cash profit sharing was due to improved operating profits. The increase in income taxes payable was due to the estimated income tax liability being paid in April 2012. These decreases in working capital were offset by an increase in net trade accounts receivable of \$30.8 million and inventory of \$3.9 million as compared to December 31, 2011, and a decrease in accrued cash profit sharing trust of \$2.8 million over the same period. The increase in net trade accounts receivable was primarily due to increases in sales during the first quarter as a result of a seasonal increase in sales in the latter part of the first quarter of 2012 compared to the latter part of the fourth quarter of 2011. The increase in inventories was primarily due to the acquisition of S&P Clever. The decrease in accrued profit sharing trust was due to the 2011 contribution paid in the first quarter 2012, compared to the 2010 contribution paid in the second quarter of 2011. The balance of the change in working capital was due to the fluctuation of various other asset and liability accounts, none of which was individually material. The working capital change and changes in noncurrent assets and liabilities, combined with net income of \$7.2 million and noncash expenses, primarily depreciation, amortization, impairment of assets held for sale and stock-based compensation charges totaling \$10.4 million, resulted in net cash provided by operating activities of \$0.6 million. As of March 31, 2012, the Company had unused credit facilities available of \$206.5 million.

The Company's investing activities used cash of \$52.4 million due to the acquisition of S&P Clever for \$50.7 million, net of contingent consideration of \$0.6 million, and cash received of \$6.8 million, the acquisition of CarbonWrap for \$5.3 million, net of contingent consideration of \$0.2 million, and capital expenditures of \$3.2 million. The cash paid for business acquisitions and for capital assets was partly offset by the proceeds of the sale of the San Leandro facility and other asset sales of \$6.8 million. The Company's capital expenditures were primarily due to the continued construction of a manufacturing facility in Germany and improvement of various facilities in France and the United States. The Company estimates that its full-year capital spending will be approximately \$27.0 million in 2012.

The Company's financing activities used net cash of \$4.2 million. The payment of a cash dividend in the amount of \$6.0 million was the primary use of cash. Cash was provided from the issuance of the Company's common stock through the exercise of stock options totaling \$1.8 million. In April 2012, the Company's Board of Directors declared a cash dividend of \$0.125 per share, estimated to total \$6.0 million, to be paid on July 26, 2012, to stockholders of record on July 5, 2012. The Company has \$50.0 million remaining of its common stock repurchase authorization for 2012.

The Company believes that cash generated by operations and borrowings available under its credit facility will be sufficient for the Company's working capital needs and planned capital expenditures for the next 12 months. Depending, however, on the Company's future growth and possible acquisitions, it may become necessary to secure additional sources of financing, which may not be available on reasonable terms, or at all. The \$200.0 million unsecured credit agreement will expire in October 2012. The Company is currently negotiating a new credit agreement and anticipates that the new terms are not likely to be as favorable as the terms of the current credit agreement.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company has foreign exchange rate risk in its international operations, primarily Europe and Canada, and through purchases from foreign vendors. The Company does not currently hedge this risk. If the exchange rate were to change by 10% in any one country or currency where the Company has operations, the change in net income would not be material to the Company's operations as a whole. The translation adjustment

resulted in an increase in accumulated other comprehensive income of \$7.2 million for the three months ended March 31, 2012. The translation adjustment in the first quarter was primarily due to the effect of the weakening of the United States dollar in relation to the Canadian and European currencies.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures. As of March 31, 2012, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was performed under the supervision and with the participation of the Company's management, including the chief executive officer (CEO) and the chief financial officer (CFO). Based on that evaluation, the CEO and the CFO concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of that date and that the Company's disclosure controls and procedures at that date were designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms, including ensuring that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the CEO and the CFO, as appropriate to allow timely decisions regarding required disclosures.

The Company's management, including the CEO and the CFO, does not, however, expect that the Company's disclosure controls and procedures or the Company's internal control over financial reporting will necessarily prevent all fraud and material errors. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the facts that there are resource constraints and that the benefits of controls must be considered relative to their costs. The inherent limitations in an internal control system include the realities that judgments can be faulty and that breakdowns can occur because of simple error or mistake. Controls also can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of controls. The design of any system of internal control is also based in part on assumptions about the likelihood of future events, and there can be only reasonable, not absolute, assurance that any design will succeed in achieving its stated goals under all potential events and conditions. Over time, controls may become inadequate because of changes in circumstances, or the degree of compliance with the policies and procedures may deteriorate.

Changes in Internal Control over Financial Reporting. During the three months ended March 31, 2012, the Company made no changes to its internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, the Company is involved in various legal proceedings and other matters arising in the normal course of business.

Four lawsuits (the Cases) have been filed against the Company in the Hawaii First Circuit Court: *Alvarez v. Haseko Homes, Inc. and Simpson Manufacturing, Inc.*, Civil No. 09-1-2697-11 (Case 1); *Ke Noho Kai Development, LLC v. Simpson Strong-Tie Company, Inc., and Honolulu Wood Treating Co., LTD.*, Case No. 09-1-1491-06 SSM (Case 2); *North American Specialty Ins. Co. v. Simpson Strong-Tie Company, Inc. and K.C. Metal Products, Inc.*, Case No. 09-1-1490-06 VSM (Case 3); and *Charles et al. v. Haseko Homes, Inc. et al. and Third Party Plaintiffs Haseko Homes, Inc. et al. v. Simpson Strong-Tie Company, Inc., et al.*, Civil No. 09-1-1932-08 (Case 4). Case 1 was filed on November 18, 2009. Cases 2 and 3 were originally filed on June 30, 2009. Case 4 was filed on August 19, 2009. The Cases all relate to alleged premature corrosion of the Company's strap tie holdown products installed in buildings in a housing development known as Ocean Pointe in Honolulu, Hawaii, allegedly causing property damage. Case 1 is a class action brought by the owners of allegedly affected Ocean Pointe houses. Case 1

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was originally filed as *Kai et al. v. Haseko Homes, Inc., Haseko Construction, Inc. and Simpson Manufacturing, Inc.*, Case No. 09-1-1476, but was voluntarily dismissed and then re-filed with a new representative plaintiff. Case 2 is an action by the builders and developers of Ocean Pointe against the Company, claiming that either the Company's strap tie holdowns are defective in design or manufacture or the Company failed to provide adequate warnings regarding the products' susceptibility to corrosion in certain environments. Case 3 is a subrogation action brought by the insurance company for the builders and developers against the Company claiming the insurance company expended funds to correct problems allegedly caused by the Company's products. Case 4 is a putative class action brought, like Case 1, by owners of allegedly affected Ocean Pointe homes. In Case 4, Haseko Homes, Inc. (Haseko), the developer of the Ocean Pointe development, has brought a third party complaint

against the Company alleging that any damages for which Haseko may be liable are actually the fault of the Company. None of the Cases alleges a specific amount of damages sought, although each of the Cases seeks compensatory damages, and Case 1 seeks punitive damages. The Company is currently investigating the facts underlying the claims asserted in the Cases, including, among other things, the cause of the alleged corrosion; the severity of any problems shown to exist; the buildings affected; the responsibility of the general contractor, various subcontractors and other construction professionals for the alleged damages; the amount, if any, of damages suffered; and the costs of repair, if needed. At this time, the likelihood that the Company will be found liable for any property damage allegedly suffered and the extent of such liability, if any, are unknown. Management believes the Cases may not be resolved for an extended period. The Company intends to defend itself vigorously in connection with the Cases.

Based on facts currently known to the Company, the Company believes that all or part of the claims alleged in the Cases may be covered by its insurance policies. On April 19, 2011, an action was filed in the United States District Court for the District of Hawaii, *National Union Fire Insurance Company of Pittsburgh, PA v. Simpson Manufacturing Company, Inc., et al.*, Civil No. 11-00254 ACK. In this action, Plaintiff National Union Fire Insurance Company of Pittsburgh, Pennsylvania (National Union), which issued certain Commercial General Liability insurance policies to the Company, seeks declaratory relief in the Cases with respect to its obligations to defend or indemnify the Company, Simpson Strong-Tie Company Inc., and a vendor of the Company's strap tie holdown products. By Order dated November 7, 2011, all proceedings in the *National Union* action have been stayed. If the stay is lifted and the National Union action is not dismissed, the Company intends vigorously to defend all claims advanced by National Union.

On April 12, 2011, Fireman's Fund Insurance Company (Fireman's Fund), another of the Company's general liability insurers, sued Hartford Fire Insurance Company (Hartford), a third insurance company from whom the Company purchased general liability insurance, in the United States District Court for the Northern District of California, *Fireman's Fund Insurance Company v. Hartford Fire Insurance Company*, Civil No. 11-1789 SBA (the *Fireman's Fund* action). The Company has intervened in the *Fireman's Fund* action and has moved to stay all proceedings in that action as well, pending resolution of the underlying Ocean Pointe Cases.

On November 21, 2011, the Company commenced a lawsuit against National Union, Fireman's Fund, Hartford and others in the Superior Court of the State of California in and for the City and County of San Francisco (the *San Francisco* coverage action). In the *San Francisco* coverage action, the Company alleges generally that the separate pendency of the *National Union* action and the *Fireman's Fund* action presents a risk of inconsistent adjudications; that the San Francisco Superior Court has jurisdiction over all of the parties and should exercise jurisdiction at the appropriate time to resolve any and all disputes that have arisen or may in the future arise among the Company and its liability insurers; and that the *San Francisco* coverage action should also be stayed pending resolution of the underlying Ocean Pointe Cases. The Company intends to move for such a stay if necessary.

Nishimura v. Gentry Homes, Ltd; Simpson Manufacturing Co., Inc.; and Simpson Strong-Tie Company, Inc., Civil no. 11-1-1522-07, was filed in the Circuit Court of the First Circuit of Hawaii on July 20, 2011. The case alleges premature corrosion of the Company's strap tie holdown products in a housing development at Ewa Beach in Honolulu, Hawaii. The case is a putative class action brought by owners of allegedly affected homes. The Complaint alleges that the Company's strap products and mudsill anchors are insufficiently corrosion resistant and/or fail to comply with Honolulu's building code. The Company is currently investigating the claims asserted in the complaint, including, among other things: the existence and extent of the alleged corrosion, if any; the building code provisions alleged to be applicable and, if applicable, whether the products complied; the buildings affected; the responsibility of the general contractor, various subcontractors and other construction professionals for the alleged damages; the amount, if any, of damages suffered; and the costs of repair, if any are needed. At this time, the likelihood that the Company will be found liable for any damage allegedly suffered and the extent of such liability, if any, are unknown. The Company denies any liability of any kind and intends to defend itself vigorously in this case.

Item 1A. Risk Factors

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We are affected by risks specific to us, as well as risks that generally affect businesses operating in global markets. Some of the significant factors that could materially adversely affect our business, financial condition and operating results appear in Item 1A. Risk Factors of our most recent Annual Report on Form 10-K (available at www.simpsonmfg.com/docs/10K-2011.pdf or www.sec.gov).

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

In January 2012, the Board of Directors authorized the Company to repurchase up to \$50.0 million of the Company's common stock. This replaced the \$100.0 million repurchase authorization from February 2011. The authorization will remain in effect through the end of 2012. There were no purchases by the Company during the first quarter of 2012.

Item 6. Exhibits.

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

- 3.1 Certificate of Incorporation of Simpson Manufacturing Co., Inc., as amended, is incorporated by reference to Exhibit 3.1 of its Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.
- 3.2 Bylaws of Simpson Manufacturing Co., Inc., as amended through December 13, 2010, are incorporated by reference to Exhibit 3.2 of its Current Report on Form 8-K dated December 16, 2010.
- 4.1 Amended Rights Agreement dated as of June 15, 2009, between Simpson Manufacturing Co., Inc. and Computershare Trust Company, N.A., which includes as Exhibit B the form of Rights Certificate, is incorporated by reference to Exhibit 4.1 of Simpson Manufacturing Co., Inc.'s Registration Statement on Form 8-A/A dated June 15, 2009.
- 4.2 Certificate of Designation, Preferences and Rights of Series A Participating Preferred Stock of Simpson Manufacturing Co., Inc., dated July 30, 1999, is incorporated by reference to Exhibit 4.2 of its Registration Statement on Form 8-A dated August 4, 1999.
- 4.3 Simpson Manufacturing Co., Inc. 401(k) Profit Sharing Plan for Salaried Employees is incorporated by reference to Exhibit 4.3 of Simpson Manufacturing Co., Inc.'s Registration Statement on Form S-8, File Number 333-173811, dated April 29, 2011.
- 4.4 Simpson Manufacturing Co., Inc. 401(k) Profit Sharing Plan for Hourly Employees is incorporated by reference to Exhibit 4.4 of Simpson Manufacturing Co., Inc.'s Registration Statement on Form S-8, File Number 333-173811, dated April 29, 2011.
- 10.1 Simpson Manufacturing Co., Inc. 1994 Stock Option Plan, as amended through February 13, 2008, is incorporated by reference to Exhibit 10.1 of Simpson Manufacturing Co., Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.
- 10.2 Simpson Manufacturing Co., Inc. 1995 Independent Director Stock Option Plan, as amended through November 18, 2004, is incorporated by reference to Exhibit 10.2 of Simpson Manufacturing Co., Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.
- 10.3 Simpson Manufacturing Co., Inc. Executive Officer Cash Profit Sharing Plan, as amended through February 25, 2008, is incorporated by reference to Exhibit 10.3 of Simpson Manufacturing Co., Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.
- 10.4 Credit Agreement dated as of October 10, 2007, among Simpson Manufacturing Co., Inc. as Borrower, the Lenders party thereto, Wells Fargo Bank as Agent, and Simpson Strong Tie Company Inc., and Simpson Strong-Tie International, Inc. as Guarantors, is incorporated by reference to Exhibit 10.4 of Simpson Manufacturing Co., Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2010.

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

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- 10.6 Compensation of Named Executive Officers is incorporated by reference to Exhibit 10 of Simpson Manufacturing Co., Inc. s Current Report on Form 8-K dated January 30, 2012.
- 10.7 Compensation of Named Executive Officers is incorporated by reference to Simpson Manufacturing Co., Inc. s Schedule 14A Proxy Statement dated March 9, 2012.
- 10.8 Simpson Manufacturing Co., Inc. 2011 Incentive Plan is incorporated by reference to Exhibit A of Simpson Manufacturing Co., Inc. s Schedule 14A Proxy Statement dated March 9, 2012.
- 10.9 Share Purchase Agreement dated as of October 26, 2011, between Josef Scherer and Yvonne Scherer, owners of S&P Clever Reinforcement Company AG and S&P Reinforcement International AG, both companies incorporated under the laws of Switzerland, on the one hand, and Simpson Manufacturing Co., Inc., on the other hand, is incorporated by reference to Exhibit 10.9 of Simpson Manufacturing Co., Inc. s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011.
- 10.10 Asset Purchase Agreement dated as of December 16, 2011, by and between Automatic Stamping, LLC, a North Carolina limited liability company, Automatic Stamping Auxiliary Services, LLC, a North Carolina limited liability company, and William H. Black, Jr., on the one hand, and Simpson Strong-Tie Company Inc., a California corporation, on the other hand, is incorporated by reference to Exhibit 10.10 of Simpson Manufacturing Co., Inc. s Annual Report on Form 10-K for the year ended December 31, 2011.
31. Rule 13a-14(a)/15d-14(a) Certifications are filed herewith.
32. Section 1350 Certifications are filed herewith.
- 99.1 Simpson Manufacturing Co., Inc. 1994 Employee Stock Bonus Plan, as amended through November 18, 2004, is incorporated by reference to Exhibit 99.1 of Simpson Manufacturing Co., Inc. s Annual Report on Form 10-K for the year ended December 31, 2007.
- 101 Financial statements from the quarterly report on Form 10-Q of Simpson Manufacturing Co., Inc. for the quarter ended March 31, 2012, formatted in XBRL, are filed herewith and include: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Stockholders Equity, (iv) the Condensed Consolidated Statements of Cash Flows and (v) the Notes to Condensed Consolidated Financial Statements.

SIGNATURES

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

Simpson Manufacturing Co., Inc.
(Registrant)

DATE: May 8, 2012

By

/s/Brian Magstadt
Brian Magstadt
Chief Financial Officer
(principal accounting and financial officer)