

QUINN MICHAEL J
Form 4
March 23, 2006

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
QUINN MICHAEL J

2. Issuer Name and Ticker or Trading Symbol
CARDIOGENESIS CORP /CA
[CGCP]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)
26632 TOWNE CENTRE
DRIVE, SUITE 320

(Street)

3. Date of Earliest Transaction
(Month/Day/Year)
03/21/2006

Director 10% Owner
 Officer (give title below) Other (specify below)
President and CEO

FOOTHILL RANCH, CA 92610

(City) (State) (Zip)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)		
				(A) or (D)	Code	V	Amount	(D)	Price

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative	2. Conversion	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if	4. Transaction	5. Number of Derivative	6. Date Exercisable and Expiration Date	7. Title and Amount of Underlying Securities
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Security (Instr. 3)	or Exercise Price of Derivative Security	any (Month/Day/Year)	Code (Instr. 8)	Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	(Month/Day/Year)	(Instr. 3 and 4)				
			Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount Number of Shares
Stock Option (Right to Buy)	\$ 0.5	03/21/2006	A		250,000		03/21/2006	03/21/2016	Common Stock	250,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
QUINN MICHAEL J 26632 TOWNE CENTRE DRIVE SUITE 320 FOOTHILL RANCH, CA 92610	X		President and CEO	

Signatures

/s/ Michael J. Quinn
03/21/2006

**Signature of Reporting Person Date

Explanation of Responses:

* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. e="background:#CCEEFF;padding:0in 0in 0in 0in;width:55.5%;">

Total current assets

544,771

508,657

530,075

Property, plant and equipment, net

184,949

193,958

187,814

Goodwill

72,163

79,858

81,626

Intangible assets, net

23,156

	33,050
	28,852
Equity method investment	
	473
	748
Other noncurrent assets	
	17,005
	14,374
	14,690
Total assets	
\$	842,517
\$	829,897

\$

843,805

LIABILITIES AND STOCKHOLDERS EQUITY

Current liabilities

Line of credit

Explanation of Responses:

\$

\$

27

\$

Trade accounts payable

27,906

22,574

28,462

Accrued liabilities

31,192

33,855

29,209

Liabilities held for sale

Explanation of Responses:

6

2,739

Income taxes payable

760

1,370

Accrued profit sharing trust contributions

3,540

3,718

7,018

Accrued cash profit sharing and commissions

9,264

4,436

Explanation of Responses:

7

	2,427
Accrued workers compensation	
	4,386
	4,279
	4,352
Total current liabilities	
	79,787
	70,259
	71,468

Long-term liabilities

	9,263
	9,659
	8,553
Total liabilities	
	89,050
	79,918
	80,021

Commitments and contingencies (Note 8)

Stockholders' equity

Common stock, at par value

494

491

493

Additional paid-in capital

Explanation of Responses:

10

	147,745
	138,839
	146,036
Retained earnings	
	604,479
	598,412
	598,493
Accumulated other comprehensive income	
	749
	12,237
	18,762
Total stockholders' equity	
	753,467
	749,979

763,784

Total liabilities and stockholders' equity

\$

842,517

\$

829,897

\$

843,805

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 June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net sales	\$ 165,614	\$ 152,198	\$ 289,434	\$ 261,341
Cost of sales	88,828	92,987	158,620	171,335
Gross profit	76,786	59,211	130,814	90,006
Operating expenses:				
Research and development and other engineering	5,700	4,860	10,441	9,372
Selling	16,610	15,409	31,483	30,103
General and administrative	20,524	19,033	37,456	38,127
Loss on sale of assets	15	180	404	68
	42,849	39,482	79,784	77,670
Income from operations	33,937	19,729	51,030	12,336
Loss in equity method investment, before tax	(131)	(21)	(275)	(214)
Interest income (expense), net	26	(34)	37	69
Income from continuing operations before taxes	33,832	19,674	50,792	12,191
Provision for income taxes from continuing operations	12,773	8,442	19,903	7,500
Income from continuing operations, net of tax	21,059	11,232	30,889	4,691
Discontinued operations:				
Loss from discontinued operations	(21,176)	(824)	(22,223)	(3,770)
Benefit from income taxes from discontinued operations	6,820	275	7,237	1,353
Loss from discontinued operations, net of tax	(14,356)	(549)	(14,986)	(2,417)
Net income	\$ 6,703	\$ 10,683	\$ 15,903	\$ 2,274
Earnings (loss) per common share:				
Basic				
Continuing operations	\$ 0.43	\$ 0.23	\$ 0.63	\$ 0.10
Discontinued operations	(0.29)	(0.01)	(0.30)	(0.05)
Net income	0.14	0.22	0.32	0.05
Diluted				
Continuing operations	\$ 0.42	\$ 0.23	\$ 0.62	\$ 0.10
Discontinued operations	(0.29)	(0.01)	(0.30)	(0.05)
Net income	0.14	0.22	0.32	0.05
Number of shares outstanding				
Basic	49,417	49,016	49,403	49,001
Diluted	49,598	49,114	49,559	49,099
Cash dividends declared per common share	\$ 0.10	\$ 0.10	\$ 0.20	\$ 0.20

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 six months ended June 30, 2009 and 2010 and December 31, 2009

(In thousands except per-share amounts, unaudited)

	Common Stock		Additional	Retained	Accumulated	Total
	Shares	Par Value	Paid-in	Earnings	Other	
			Capital		Comprehensive	
					Income (Loss)	
Balance, January 1, 2009	48,971	\$ 490	\$ 136,867	\$ 605,950	\$ 5,719	\$ 749,026
Comprehensive income:						
Net income				2,274		2,274
Other comprehensive income:						
Translation adjustment, net of tax of (\$38)					6,518	6,518
Comprehensive income						8,792
Stock options exercised	69	1	1,125			1,126
Stock compensation			791			791
Tax benefit of options exercised			(244)			(244)
Cash dividends declared on common stock, \$0.20 per share				(9,812)		(9,812)
Common stock issued at \$27.76 per share for stock bonus	10		300			300
Balance, June 30, 2009	49,050	491	138,839	598,412	12,237	749,979
Comprehensive income:						
Net income				9,943		9,943
Other comprehensive income:						
Translation adjustment, net of tax of (\$1)					6,525	6,525
Comprehensive income						16,468
Stock options exercised	327	2	6,499			6,501
Stock compensation			899			899
Tax benefit of options exercised			(201)			(201)
Cash dividends declared on common stock, \$0.20 per share				(9,862)		(9,862)
Balance, December 31, 2009	49,377	493	146,036	598,493	18,762	763,784
Comprehensive income:						
Net income				15,903		15,903
Other comprehensive income:						
Translation adjustment, net of tax of \$3					(18,013)	(18,013)
Comprehensive income						(2,110)
Stock options exercised	39	1	954			955
Stock compensation			561			561
Tax benefit of options exercised			(83)			(83)
Cash dividends declared on common stock, \$0.20 per share				(9,917)		(9,917)
Common stock issued at \$26.89 per share for stock bonus	10		277			277
Balance, June 30, 2010	49,426	\$ 494	\$ 147,745	\$ 604,479	\$ 749	\$ 753,467

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)

	Six Months Ended June 30,	
	2010	2009
Cash flows from operating activities		
Net income	\$ 15,903	\$ 2,274
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on sale of assets	404	71
Depreciation and amortization	12,501	14,599
Impairment loss on assets held for sale	17,566	
Deferred income taxes	(5,396)	(448)
Noncash compensation related to stock plans	768	1,043
Loss in equity method investment	275	214
Excess tax benefit of options exercised	(10)	(19)
Provision for (recovery of) doubtful accounts	(189)	1,594
Provision for excess and obsolete inventory	4,932	570
Changes in operating assets and liabilities, net of effects of acquisitions:		
Trade accounts receivable	(41,951)	(39,970)
Inventories	(15,703)	64,612
Trade accounts payable	1,854	(818)
Income taxes payable	6,883	3,061
Accrued profit sharing trust contributions	(3,459)	(5,853)
Accrued cash profit sharing and commissions	6,966	2,142
Other current assets	(540)	(4,444)
Accrued liabilities	4,373	(1,789)
Long-term liabilities	190	3,254
Accrued workers compensation	34	(8)
Other noncurrent assets	158	(1,903)
Net cash provided by operating activities	5,559	38,182
Cash flows from investing activities		
Capital expenditures	(21,628)	(9,509)
Proceeds from sale of capital assets	60	612
Asset acquisitions, net of cash acquired		(23,670)
Loans made to related parties	(1,798)	
Loans repaid by related parties	50	
Net cash used in investing activities	(23,316)	(32,567)
Cash flows from financing activities		
Line of credit borrowings		842
Repayment of line of credit borrowings		(842)
Issuance of common stock	955	1,126
Excess tax benefit of options exercised	10	19
Dividends paid	(9,879)	(9,798)
Net cash used in financing activities	(8,914)	(8,653)
Effect of exchange rate changes on cash	(3,947)	1,420
Net decrease in cash and cash equivalents	(30,618)	(1,618)
Cash and cash equivalents at beginning of period	250,381	170,750
Cash and cash equivalents at end of period	\$ 219,763	\$ 169,132

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Noncash activity during the period

Noncash capital expenditures	\$	226	\$	194
Dividends declared but not paid	\$	4,978	\$	4,915
Issuance of Company's common stock for compensation	\$	277	\$	300

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, 2009 (the 2009 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 and software license sales and service, 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.

Reclassifications

Certain financial statement reclassifications, all related to discontinued operations, have been made to previously reported amounts to conform to the current year's presentation.

Segment and Discontinued Operations Information

The Company operates under two reportable segments, the connector products segment and the venting products segment. As set forth in Note 11 Discontinued Operations, on June 30, 2010, the Company entered into an agreement to sell substantially all of the assets and liabilities of its venting segment and therefore, they are no longer included in continuing operations. Accordingly, the Company has classified the results of the venting products segment, including impairments and losses of goodwill and other assets, as discontinued operations in the

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Condensed Consolidated Statements of Operations for all periods presented. The Company's financial position, as of June 30, 2010, reflects the assets and liabilities of the venting products segment to be sold as assets or liabilities held for sale at their estimated net realizable value. Except as otherwise stated, discussion in these notes pertains to the Company's continuing operations. The Company is currently evaluating its organizational structure and the future presentation of segment information.

Net Earnings(Loss) Per Common Share

Basic earnings (loss) 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 June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Earnings from continuing operations, net of tax	\$ 21,059	\$ 11,232	\$ 30,889	\$ 4,691
Loss from discontinued operations, net of tax	(14,356)	(549)	(14,986)	(2,417)
Net income available to common stockholders	\$ 6,703	\$ 10,683	\$ 15,903	\$ 2,274
Basic weighted average shares outstanding	49,417	49,016	49,403	49,001
Dilutive effect of potential common stock equivalents - stock options	181	98	156	98
Diluted weighted average shares outstanding	49,598	49,114	49,559	49,099
Net earnings (loss) per share - basic:				
Continuing operations	\$ 0.43	\$ 0.23	\$ 0.63	\$ 0.10
Discontinued operations	(0.29)	(0.01)	(0.30)	(0.05)
Net income	0.14	0.22	0.32	0.05
Net earnings (loss) per share - diluted:				
Continuing operations	\$ 0.42	\$ 0.23	\$ 0.62	\$ 0.10
Discontinued operations	(0.29)	(0.01)	(.030)	(0.05)
Net income	0.14	0.22	0.32	0.05
Potentially dilutive securities excluded from earnings per diluted share because their effect is anti-dilutive	646	1,061	856	1,078

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Anti-dilutive shares attributable to outstanding stock options were excluded from the calculation of diluted net income per share.

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 of each option granted in February 2010 and February 2009 under the 1994 Plan equaled the closing market price per share of the Company's common stock as reported by the New York Stock

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Exchange on the day preceding the day that the Compensation 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 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. There were no options granted under the 1995 Plan in 2010 or 2009.

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. Shares of common stock issued on exercise of stock options under both of the plans are registered under the Securities Act of 1933. 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, including both continuing and discontinued operations, for the three and six months ended June 30, 2010 and 2009:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Stock option expense recognized in operating expenses	\$ 218	\$ 397	\$ 585	\$ 845
Tax benefit of stock option expense in provision for income taxes	56	135	173	283
Stock option expense, net of tax	\$ 162	\$ 262	\$ 412	\$ 562
Fair value of shares vested	\$ 179	\$ 398	\$ 561	\$ 791
Proceeds to the Company from the exercise of stock options	\$ 863	\$ 998	\$ 955	\$ 1,126
Tax benefit from exercise of stock options, including shortfall tax benefits	\$ (9)	\$ (59)	\$ (83)	\$ (244)
			At June 30,	
			2010	2009
Stock option cost capitalized in inventory			\$ 44	\$ 47

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 were granted. The amounts attributed to discontinued operations were not significant for any of the periods presented.

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.

Fair Value of Financial Instruments

As of June 30, 2010, the Company's investments consisted of only United States Treasury securities and money market funds aggregating \$127.2 million, which are maintained in cash equivalents and are carried at cost, approximating fair value, based on Level 1 inputs. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities, as defined in the Fair Value Measurements and Disclosures topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification™ (ASC).

Income Taxes

In general, the Company is required to use an estimated annual effective tax rate to measure the tax benefit or tax expense recognized in an interim period. The income tax expense for the first and second quarters of both 2010 and 2009, however, has been computed based on those quarters as discrete periods due to the uncertainty regarding the Company's ability to reliably estimate pre-tax income for the remainder of those years, primarily as a result of the continued uncertainty in the construction markets in which the Company operates. The effective tax rate was 37.8% in the second quarter of 2010, which resulted in income tax expense of \$12.8 million. The effective tax rate was 42.9% in the second quarter of 2009, which resulted in income tax expense of \$8.4 million. The effective tax rate was 39.2% in the first half of 2010, which resulted in income tax expense of \$19.9 million. The effective tax rate was 61.5% in the first half of 2009, which resulted in income tax expense of \$7.5 million.

Recently Issued Accounting Standards

In May 2009, the FASB issued guidance codified in the Subsequent Events topic of the FASB ASC, which establishes general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. In February 2010, the FASB amended this guidance to remove the requirement for companies that file or furnish financial statements with the Securities and Exchange Commission to disclose the date through which subsequent events have been evaluated.

2. Trade Accounts Receivable, Net

Trade accounts receivable consist of the following:

(in thousands)	At June 30,		At December 31,	
	2010	2009	2009	2009
Trade accounts receivable	\$ 107,910	\$ 126,686	\$ 83,892	
Allowance for doubtful accounts	(1,506)	(5,469)	(4,667)	
Allowance for sales discounts and returns	(2,120)	(2,571)	(1,908)	
	\$ 104,284	\$ 118,646	\$ 77,317	

3. Inventories

Inventories consist of the following:

(in thousands)	At June 30,		At December 31,	
	2010	2009	2009	2009
Raw materials	\$ 61,238	\$ 62,041	\$ 61,408	

Explanation of Responses:

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In-process products	18,729	23,670	21,113
Finished products	70,819	104,442	81,233
	\$ 150,786	\$ 190,153	\$ 163,754

4. Property, Plant and Equipment, Net

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

(in thousands)	At June 30,		At December 31,	
	2010	2009	2009	2009
Land	\$ 23,182	\$ 23,489	\$ 23,729	
Buildings and site improvements	139,304	140,431	148,381	
Leasehold improvements	3,543	4,395	3,893	
Machinery and equipment	182,317	224,752	226,436	
	348,346	393,067	402,439	
Less accumulated depreciation and amortization	(184,638)	(205,833)	(216,157)	
	163,708	187,234	186,282	
Capital projects in progress	21,241	6,724	1,532	
	\$ 184,949	\$ 193,958	\$ 187,814	

The Company's vacant facility in San Leandro, California, remained classified as an asset held for sale as of June 30, 2010, consistent with the classification at December 31, 2009, and is being actively marketed. In March 2010, the Company acquired a facility in San Bernadino, California, for \$19.2 million in cash. The Company plans to consolidate its operations from Brea, California, and its former leased warehouse in Ontario, California, into this facility in early 2011. The Company sold all of the real estate associated with its Brea properties in July 2010 for \$14.7 million in cash and will record a gain on the sale of \$5.2 million.

5. Investments

Equity Method Investment

At June 30, 2010, the Company had a 40.6% equity interest in Keymark Enterprises, LLC (Keymark), for which the Company accounts using the equity method. Keymark develops software that assists in designing and engineering residential structures. The Company's relationship with Keymark includes the specification of the Company's products in the Keymark software. The Company has no obligation to make any additional capital contributions to Keymark.

6. Goodwill and Intangible Assets, Net

Goodwill was as follows:

(in thousands)	At June 30,		At December 31,	
	2010	2009	2009	2009

Explanation of Responses:

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Connector products	\$	72,163	\$	75,423	\$	77,191
Venting products (discontinued operations)				4,435		4,435
Total	\$	72,163	\$	79,858	\$	81,626

Intangible assets, net, were as follows:

(in thousands)	At June 30, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Connector products	\$ 35,420	\$ (12,264)	\$ 23,156

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At June 30, 2009

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Connector products	\$ 45,194	\$ (14,595)	\$ 30,599
Venting products (discontinued operations)	3,291	(840)	2,451
Total	\$ 48,485	\$ (15,435)	\$ 33,050

At December 31, 2009

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Connector products	\$ 37,987	\$ (11,182)	\$ 26,805
Venting products (discontinued operations)	3,291	(1,244)	2,047
Total	\$ 41,278	\$ (12,426)	\$ 28,852

The goodwill and intangible assets of the discontinued operations were determined to be fully impaired at June 30, 2010, due to the purchase price of the assets and liabilities to be sold. Intangible assets consist primarily of customer relationships, patents, unpatented technology and non-compete agreements. Amortization expense, for continuing and discontinued operations, for intangible assets during the three months ended June 30, 2010 and 2009, totaled \$1.2 million and \$2.1 million, respectively, and during the six months ended June 30, 2010 and 2009, totaled \$2.5 million and \$3.3 million, respectively.

At June 30, 2010, estimated future amortization of intangible assets was as follows:

(in thousands)

Final six months of 2010	\$ 2,003
2011	3,966
2012	3,492
2013	2,925
2014	2,721
2015	2,000
Thereafter	6,049
	\$ 23,156

The changes in the carrying amount of goodwill and intangible assets (including goodwill and intangible assets of the discontinued operations) from December 31, 2009, to June 30, 2010, were as follows:

(in thousands)	Goodwill	Intangible Assets
Balance at December 31, 2009	\$ 81,626	\$ 28,852
Amortization		(2,508)
Impairment	(4,435)	(1,643)
Foreign exchange	(5,028)	(1,545)
Balance at June 30, 2010	\$ 72,163	\$ 23,156

7. Debt

Explanation of Responses:

The Company has revolving lines of credit with different banks in the United States and Europe. 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 June 30, 2010, LIBOR plus 0.27% was 0.62%), expires in October 2012, and has commitment fees payable at the annual rate of 0.08% on the unused portion of the facility. Other revolving credit lines, with combined

available credit of \$4.3 million at June 30, 2010, charge interest ranging from 1.15% to 3.5% and have various maturity dates. The debt outstanding at June 30, 2009, was \$27 thousand. There were no outstanding balances at June 30, 2010, or December 31, 2009.

8. Commitments and Contingencies

Note 9 to the consolidated financial statements in the 2009 Annual Report provides information concerning commitments and contingencies. From time to time, the Company is involved in various legal proceedings and other matters arising in the normal course of business. The resolution of claims and litigation is subject to inherent uncertainty and could have a material adverse effect on the Company's financial condition, cash flows and results of operations.

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

Corrosion, hydrogen embrittlement, cracking, material hardness, wood pressure-treating chemicals, misinstallations, misuse, design and assembly flaws, environmental conditions or other factors can contribute to failure of fasteners, connectors, tools 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. Based on test results to date, the Company believes that, generally, if its products are appropriately selected, installed and used in accordance with the Company's guidance, they may be reliably used in appropriate applications.

Four lawsuits (the Hawaii 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 (Hawaii Case 1); *Ke Noho Kai Development, LLC v. Simpson Strong-Tie Company, Inc., and Honolulu Wood Treating Co., LTD.*, Hawaii Case No. 09-1-1491-06 SSM (Hawaii 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 (Hawaii 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 (Hawaii Case 4). Hawaii Case 1 was filed on November 18, 2009. Hawaii Cases 2 and 3 were originally filed on June 30, 2009. Hawaii Case 4 was filed on August 19, 2009. The Hawaii 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. Hawaii Case 1 is a putative class action brought by the owners of allegedly affected Ocean Pointe houses. Hawaii 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. Hawaii 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. Hawaii 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. Hawaii Case 4, like Hawaii Case 1, is a putative class action brought by owners of allegedly affected Ocean Pointe homes. In Hawaii 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 Hawaii Cases alleges a specific amount of damages sought, although each of the Hawaii Cases seeks compensatory damages, and Hawaii Case 1 seeks punitive damages. The Company is currently investigating the facts underlying the claims asserted in the Hawaii 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. Based on facts currently known to the Company, the Company believes that all or part of the claims alleged in the Hawaii Cases may be covered by its insurance policies. The Company intends to defend itself vigorously in connection with the Hawaii Cases.

9. Stock Option Plans

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

The fair value of each option award was estimated on the date of grant using the Black-Scholes option pricing model. Expected volatility is based on historical volatilities of the Company's common stock measured monthly over a term that is equivalent to the expected life of the option. The expected term of options granted is estimated based on the Company's prior exercise experience and future expectations of the exercise and termination behavior of the grantees. The risk-free rate is based on the yield of 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 options granted under the 1994 Plan in 2010 and 2009 are as follows:

Number of Options Granted (in thousands)	Grant Date	Risk-Free Interest Rate	Dividend Yield	Expected Life	Volatility	Exercise Price	Weighted Average Fair Value
148	02/02/10	2.93%	1.62%	6.5 years	36.0%	\$ 24.75	\$ 8.46
24	02/23/09	2.08%	2.48%	6.5 years	30.9%	\$ 16.10	\$ 4.06
29	02/04/09	2.17%	1.88%	6.5 years	30.9%	\$ 21.25	\$ 5.86

No options were granted under the 1995 Plan in 2010 or 2009.

The following table summarizes the Company's stock option activity for the six months ended June 30, 2010:

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, 2010	1,792	\$ 31.31		
Granted	148	24.75		
Exercised	(38)	24.92		

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Forfeited	(14)		35.91			
Outstanding at June 30, 2010	1,888	\$	30.89	2.1	\$	323
Outstanding and expected to vest at June 30, 2010	1,879	\$	30.93	2.0	\$	308
Exercisable at June 30, 2010	1,665	\$	31.70	1.6	\$	116

* 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 option, using the closing price per share of \$24.55 as reported by the New York Stock Exchange on June 30, 2010.

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The total intrinsic value of options exercised during the six months ended June 30, 2010 and 2009, was \$0.3 million and \$0.4 million, respectively.

A summary of the status of unvested options as of June 30, 2010, and changes during the six months ended June 30, 2010, are presented below:

Unvested Options	Shares (in thousands)	Weighted- Average Grant-Date Fair Value
Unvested at January 1, 2010	140	\$ 8.57
Granted	148	8.46
Vested	(65)	10.35
Unvested at June 30, 2010	223	\$ 7.97

As of June 30, 2010, \$1.3 million of total unrecognized compensation cost was related to unvested share-based compensation arrangements under the 1994 Plan. This cost is expected to be recognized over a weighted-average period of 2.9 years. Options granted under the 1995 Plan are fully vested and are expensed on the date of grant.

10. Segment Information

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 June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
<i>Net Sales</i>				
Connector products	\$ 165,614	\$ 152,198	\$ 289,434	\$ 261,341
<i>Income (Loss) from Operations</i>				
Connector products	\$ 35,307	\$ 20,637	\$ 53,757	\$ 13,552
Administrative and all other	(1,370)	(908)	(2,727)	(1,216)
Total	\$ 33,937	\$ 19,729	\$ 51,030	\$ 12,336

(in thousands)	At June 30,		At December 31,	
	2010	2009	2009	2009
<i>Total Assets</i>				
Connector products	\$ 687,094	\$ 636,105	\$ 650,796	\$ 650,796
Venting products (discontinued operations)	32,570	72,858	71,587	71,587
Administrative and all other	122,853	120,934	121,422	121,422
Total	\$ 842,517	\$ 829,897	\$ 843,805	\$ 843,805

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Cash collected by the Company's subsidiaries is routinely transferred into the Company's cash management accounts and, therefore, has been included in the total assets of Administrative and all other. Cash and cash equivalent balances in the Administrative and all other segment were \$173.6 million, \$136.1 million, and \$205.1 million, as of June 30, 2010 and 2009, and December 31, 2009, respectively.

11. Discontinued Operations

On June 30, 2010, the Company entered into a definitive agreement with M&G Holding B.V. (M&G) and a newly formed, wholly owned, indirect subsidiary of M&G, to sell substantially all of the assets and liabilities of Simpson Dura-Vent Company, Inc. (Simpson Dura-Vent). The purchase price will be \$20.0 million in cash, plus or minus

the amount by which Simpson Dura-Vent's working capital balance at the closing (calculated as provided in the agreement) exceeds \$23.5 million or is less than \$22.5 million. The Company expects to complete the sale in the third quarter of 2010. The Company decided to sell the assets of Simpson Dura-Vent in order to focus exclusively on the development of its connector products business. Simpson Dura-Vent represents the Company's entire venting operating segment.

The carrying amounts of the major classes of assets and liabilities of the discontinued operations to be sold consisted of the following at June 30, 2010:

(in thousands)

Trade accounts receivable, net	\$	12,408
Inventories, net		19,878
Other current assets		284
Assets held for sale	\$	32,570
Accounts payable	\$	1,573
Other current liabilities		1,166
Liabilities held for sale	\$	2,739

The results from discontinued operations, including the impairments and losses recorded in operating expenses, for the three and six months ended June 30, 2010 and 2009, were as follows:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenues	\$ 12,992	\$ 13,726	\$ 23,072	\$ 23,905
Cost of sales	10,443	11,699	19,116	21,960
Gross profit	2,549	2,027	3,956	1,945
Operating expenses	23,723	2,847	26,176	5,710
Other expenses	2	4	3	5
Loss from discontinued operations	(21,176)	(824)	(22,223)	(3,770)
Benefit from income taxes from discontinued operations	6,820	275	7,237	1,353
Loss from discontinued operations, net of tax	\$ (14,356)	\$ (549)	\$ (14,986)	\$ (2,417)

In the second quarter of 2010, as a result of the entry into the agreement to sell assets of Simpson Dura-Vent, the Company recorded a pre-tax impairment charge of \$21.4 million, which included professional fees of \$0.7 million, in discontinued operations. The assets impaired consisted of goodwill in the amount of \$4.4 million, intangible assets of \$1.8 million, fixed assets of \$10.7 million, and other current assets of \$3.8 million. The Company retained its Vacaville, California, facilities, all Simpson Dura-Vent balances related to cash, inter-company balances, employee related liabilities and other long-term liabilities. Upon completing the sale of the assets, the Company will lease its facilities in Vacaville, California, to M&G for approximately \$0.9 million per year for ten years.

12. Subsequent Events

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In July 2010, the Company's Board of Directors declared a cash dividend of \$0.10 per share, estimated to total \$5.0 million, to be paid on October 28, 2010, to stockholders of record on October 7, 2010.

In July 2010, the Company sold its Brea, California, facilities for net proceeds of \$14.7 million. See Note 4.

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 and six months ended June 30, 2010 and 2009. The following should be read in conjunction with the interim Condensed Consolidated Financial Statements and related Notes appearing elsewhere herein.

The Company operates under two reportable segments, the connector products segment and the venting products segment. On June 30, 2010, the Company entered into an agreement to sell assets of its venting products segment (Simpson Dura-Vent) and therefore, it is no longer included in continuing operations. The Company decided to sell substantially all of the assets and liabilities of Simpson Dura-Vent in order to focus exclusively on the development of its connector business. Except as otherwise stated, this discussion and analysis pertains to the Company's continuing operations. The connector segment represents substantially all of the Company's continuing operations.

Results of Continuing Operations for the Three Months Ended June 30, 2010, Compared with the Three Months Ended June 30, 2009

Net sales from continuing operations increased 8.8% to \$165.6 million in the second quarter of 2010 from \$152.2 million in the second quarter of 2009. The increase in net sales from continuing operations resulted primarily from an increase in sales volume, although average prices decreased 4.5% as compared to the second quarter of 2009. The Company had income from continuing operations, net of tax, of \$21.1 million for the second quarter of 2010 compared to income from continuing operations, net of tax, of \$11.2 million for the second quarter of 2009. Diluted earnings from continuing operations, net of tax, per common share was \$0.42 for the second quarter of 2010 compared to diluted earnings from continuing operations, net of tax, of \$0.23 per common share for the second quarter of 2009.

In the second quarter of 2010, sales increased throughout most of North America and Europe. The growth in the United States was strongest in the midwestern and northeastern regions, while sales in both California and the western region declined slightly as compared to the second quarter of 2009. Sales in Asia, although relatively small, have increased as the Company has recently expanded its presence in the region. Sales to dealer distributors increased, while sales to contractor distributors were flat and sales to home centers decreased over the same period. Sales increased across most of the Company's major product lines.

Income from operations increased 72.0% from \$19.7 million in the second quarter of 2009 to \$33.9 million in the second quarter of 2010. Gross margins increased from 38.9% in the second quarter of 2009 to 46.4% in the second quarter of 2010. The increase in gross margins was primarily due to lower manufacturing costs, including lower costs of material and labor, and increased absorption of fixed overhead, as a result of higher production volumes. Steel prices have decreased from their levels in early 2010, as demand has not returned to the steel markets as previously expected. The Company expects that steel prices may increase during the remainder of 2010 as steel producers reduce supply and their raw material costs are expected to increase. The Company's inventories decreased 7.9% from \$163.8 million at December 31, 2009, to \$150.8 million at June 30, 2010, primarily due to the reclassification of Simpson Dura-Vent's inventory as an asset held for sale, partly offset by

purchases of raw materials.

Research and development and engineering expense increased 17.3% from \$4.9 million in the second quarter of 2009 to \$5.7 million in the second quarter of 2010, primarily due to increased personnel costs of \$0.9 million. Selling expense increased 7.8% from \$15.4 million in the second quarter of 2009 to \$16.6 million in the second quarter of 2010, primarily as a result of increased personnel costs of \$0.8 million and increased promotional costs of \$0.4 million. General and administrative expense increased 7.8% from \$19.0 million in the second quarter of 2009 to \$20.5 million in the second quarter of 2010. The increase resulted primarily from increased cash profit sharing of

\$3.0 million and various other items, partly offset by decreases in administrative personnel expenses of \$1.1 million and intangible asset amortization expense of \$0.8 million. The effective tax rate from continuing operations was 37.8% in the second quarter of 2010, as compared to 42.9% in the second quarter of 2009. The decrease in the effective tax rate as compared to the prior year is primarily due to reduced losses in countries where a valuation allowance is recorded. In general, the Company is required to use an estimated annual effective tax rate to measure the tax benefit or tax expense recognized in an interim period. The income tax expense for the quarters ended June 30, 2010 and 2009, however, have been computed based on those quarters as discrete periods due to the uncertainty regarding the Company's ability to reliably estimate pre-tax income for the remainder of each year. The Company cannot reliably estimate pre-tax income for the remainder of 2010 or for the full year, primarily due to the continued uncertainty in the construction markets in which the Company operates.

For its European operations, the Company recorded income from operations of \$2.6 million in the second quarter of 2010 compared to a loss from operations of \$1.4 million in the second quarter of 2009.

Results of Continuing Operations for the Six Months Ended June 30, 2010, Compared with the Six Months Ended June 30, 2009

In the first half of 2010, net sales from continuing operations increased 10.7% to \$289.4 million as compared to net sales from continuing operations of \$261.3 million in the first half of 2009. The increase in net sales resulted primarily from an increase in sales volume, although average prices decreased 5.2% as compared to the first half of 2009. The Company had income from continuing operations, net of tax, of \$30.9 million for the first half of 2010 compared to income from continuing operations, net of tax, of \$4.7 million for the first half of 2009. Diluted income from continuing operations, net of tax, per common share was \$0.62 for the first half of 2010 compared to diluted income from continuing operations, net of tax, of \$0.10 per common share for the first half of 2009.

In the first half of 2010, sales increased throughout most of North America and Europe. The growth in the United States was strongest in the midwestern and northeastern regions, while sales in California declined slightly as compared to the first half of 2009. Sales in Asia, although relatively small, have increased as the Company has recently expanded its presence in the region. Sales to dealer distributors increased, while sales to contractor distributors were flat and sales to home centers decreased over the same period. Sales increased across most of the Company's major product lines.

Income from operations increased over 300% from \$12.3 million in the first half of 2009 to \$51.0 million in the first half of 2010. Gross margins increased from 34.4% in the first half of 2009 to 45.2% in the first half of 2010. The increase in gross margins was primarily due to lower manufacturing costs, including lower costs of material and labor, and increased absorption of fixed overhead.

Research and development and engineering expense increased 11.4% from \$9.4 million in the first half of 2009 to \$10.4 million in the first half of 2010, primarily due to increased personnel costs of \$1.3 million partly offset by various other items. Selling expense increased 4.6% from \$30.1 million in the first half of 2009 to \$31.5 million in the first half of 2010, primarily as a result of increased personnel costs of \$1.1 million and increased promotional costs of \$0.3 million. General and administrative expense decreased 1.8% from \$38.1 million in the first half of 2009 to \$37.5 million in the first half of 2010. The decrease was primarily the result of lower bad debt expense of \$1.9 million, administrative personnel costs of \$1.3 million, intangible asset amortization expense of \$0.7 million and various other items, partly offset by increased cash profit sharing of \$3.8 million and various other items. The effective tax rate from continuing operations was 39.2% in the first half of 2010, as compared to 61.5% in the first half of 2009. The decrease in the effective tax rate as compared to the prior year is primarily due to reduced losses in countries where a valuation allowance is recorded. In general, the Company is required to use an estimated annual effective tax rate to measure the tax benefit or tax expense recognized in an interim period. The income tax expense for the first half of 2010 and 2009, however, have been computed based on those periods as discrete periods due to the uncertainty regarding the Company's ability to reliably estimate pre-tax income for the remainder of each year. The Company cannot reliably estimate pre-tax income for the remainder of 2010 or for the full year, primarily due to the continued uncertainty in the construction markets in which the Company operates.

For its European operations, the Company recorded income from operations of \$0.8 million in the first half of 2010 compared to a loss from operations of \$5.6 million in the first half of 2009.

Critical Accounting Policies and Estimates

The Company did not make any significant changes to its critical accounting policies and estimates during the three or six months ended June 30, 2010, from those disclosed in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009. See Note 1, *Basis of Presentation Recently Issued Accounting Standards*, to the Company's Condensed Consolidated Financial Statements appearing elsewhere in this report regarding recently issued accounting standards.

Liquidity and Sources of Capital

As of June 30, 2010, working capital was \$465.0 million as compared to \$438.4 million at June 30, 2009, and \$458.6 million at December 31, 2009. The increase in working capital from December 31, 2009, was primarily due to increases in assets held for sale of \$32.6 million and net trade accounts receivable of \$27.0 million, and a decrease in accrued profit sharing trust contributions of \$3.5 million. The increase in assets held for sale was a result of the reclassification of the Simpson Dura-Vent assets to be sold. Net trade accounts receivable increased 34.9% from December 31, 2009, as a result of increased sales in the latter part of the second quarter of 2010 compared to the latter part of the fourth quarter of 2009, partly offset by the reclassification of Simpson Dura-Vent's trade accounts receivable of \$12.4 million to assets held for sale. These increases were partly offset by decreases in cash and cash equivalents of \$30.6 million, inventories of \$13.0 million and other current assets of \$6.5 million, and an increase in accrued cash profit sharing and commissions of \$6.8 million. Raw material inventories were flat as compared to December 31, 2009, and in-progress and finished goods inventories decreased 12.5% over the same period. The reclassification of Simpson Dura-Vent's inventories to available for sale assets in the amount of \$19.9 million was partly offset by increased inventories of Simpson Strong-Tie. 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 \$15.9 million and noncash expenses, primarily impairments of assets, depreciation, amortization and stock-based compensation charges totaling \$34.6 million, resulted in net cash provided by operating activities of \$5.6 million. As of June 30, 2010, the Company had unused credit facilities available of \$204.3 million.

The Company used \$23.3 million in its investing activities, primarily for the acquisition, in March 2010, of a manufacturing and distribution facility in San Bernadino, California, for \$19.2 million. The Company plans to consolidate its operations from Brea, California, and its former leased warehouse in Ontario, California, into this facility in early 2011. The Company sold all of the real estate associated with its Brea properties in July 2010 for \$14.7 million in cash and will record a gain on the sale of \$5.2 million. In January 2010, the Company used \$1.8 million to make a new loan and adjust an existing loan to related parties. These loans, to entities related to Keymark, bear interest at an annual rate of 5.5%, payable monthly, and the principal amounts will be due and payable in February 2013, or earlier if Keymark is sold. These loans are backed by real property deeds of trust. The Company estimates that its full-year capital spending will total \$33 million in 2010.

The Company has classified its vacant facility in San Leandro, California, as an asset held for sale and is actively marketing the facility.

The Company's financing activities used net cash of \$8.9 million. The payments of cash dividends in the amount of \$9.9 million were the primary use of cash. Cash was provided from the issuance of the Company's common stock through the exercise of stock options totaling \$1.0 million. In July 2010, the Company's Board of Directors declared a cash dividend of \$0.10 per share, estimated to total \$5.0 million, to be paid on October 28, 2010, to stockholders of record on October 7, 2010.

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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 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 a decrease in accumulated other comprehensive income of \$11.4 million and \$18.0 million for the three and six months ended June 30, 2010, primarily due to the effect of the strengthening of the United States dollar in relation to the Canadian currency and most European currencies.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures. As of June 30, 2010, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was performed under the supervision and with the participation of the Company's management, including the chief executive officer (CEO) and the chief financial officer (CFO). Based on that evaluation, the CEO and the CFO concluded that the Company's disclosure controls and procedures were effective as of that date 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 June 30, 2010, 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.

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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 Hawaii 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 (Hawaii Case 1); *Ke Noho Kai Development, LLC v. Simpson Strong-Tie Company, Inc., and Honolulu Wood Treating Co., LTD.*, Hawaii Case No. 09-1-1491-06 SSM (Hawaii 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 (Hawaii 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 (Hawaii Case 4). Hawaii Case 1 was filed on November 18, 2009. Hawaii Cases 2 and 3 were originally filed on June 30, 2009. Hawaii Case 4 was filed on August 19, 2009. The Hawaii 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. Hawaii Case 1 is a putative class action brought by the owners of allegedly affected Ocean Pointe houses. Hawaii 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. Hawaii 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. Hawaii 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. Hawaii Case 4, like Hawaii Case 1, is a putative class action brought by owners of allegedly affected Ocean Pointe homes. In Hawaii 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 Hawaii Cases alleges a specific amount of damages sought, although each of the Hawaii Cases seeks compensatory damages, and Hawaii Case 1 seeks punitive damages. The Company is currently investigating the facts underlying the claims asserted in the Hawaii 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. Based on facts currently known to the Company, the Company believes that all or part of the claims alleged in the Hawaii Cases may be covered by its insurance policies. The Company intends to defend itself vigorously in connection with the Hawaii Cases.

The Company is not engaged in any other legal proceedings as of the date hereof, which the Company expects individually or in the aggregate to have a material adverse effect on the Company's financial condition, cash flows or results of operations. The resolution of claims and litigation, however, is subject to inherent uncertainty and could have a material adverse effect on the Company's financial condition, cash flows or results of operations.

Item 1A. Risk Factors

We are affected by risks specific to us, as well as risks that affect all businesses operating in global markets. Some of the significant factors that could materially adversely affect our business, financial condition and operating results appear in Item 1A. Risk Factors of our most recent Annual Report on Form 10-K (available at www.simpsonmfg.com/docs/10K-2009.pdf or www.sec.gov), but we have changed the risk factor titled "Contracts that we file as exhibits to our public reports contain recitals, representations and warranties that may not be factually correct," to read as follows:

Contracts that we file as exhibits to our public reports contain recitals, representations and warranties that may not be factually correct.

The parties to any agreement or other instrument that we file as an exhibit to this or any other report did not necessarily intend that any recital, representation, warranty or other statement of purported fact in the instrument establishes or confirms any fact, even if it is worded as such. The parties generally intended such statements to allocate contractual risk between the parties, and the statements often are subject to standards of materiality that differ from the standards applicable to our reports. In addition, such statements may have been qualified by other materials that we have not filed with (or incorporated by reference into) this or any other report or document. Such exhibits should be read in the context of our other disclosures in our reports. We believe the text of each of our reports was complete and correct in all material respects when we filed it.

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

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In December 2009, the Board of Directors authorized the Company to repurchase up to \$50.0 million of the Company's common stock. This replaced the \$50.0 million repurchase authorization from December 2008. The authorization will remain in effect through the end of 2010. The Company did not repurchase any of its common stock in the first six months of 2010.

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 August 1, 2008, are incorporated by reference to Exhibit 3.2 of its Current Report on Form 8-K dated August 4, 2008.
- 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.
- 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 Dura-Vent Company, Inc., Simpson Strong Tie Company Inc., and Simpson Strong-Tie International, Inc. as Guarantors, is filed herewith.
- 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. and Simpson Dura-Vent 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.
- 10.6 Compensation of Named Executive Officers of Simpson Manufacturing Co., Inc. is incorporated by reference to Simpson Manufacturing Co., Inc.'s Current Report on Form 8-K dated July 20, 2010.
- 10.7 Asset Purchase Agreement by and among Smokey Acquisition, Inc. and M&G Holding B.V. and Simpson Dura-Vent Company, Inc. and Simpson Manufacturing Co., Inc. dated June 30, 2010, including the exhibits thereto and the related letter agreement dated June 30, 2010, is filed herewith.
- 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.

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101 Financial statements from the quarterly report on Form 10-Q of Simpson Manufacturing Co., Inc. for the quarter ended June 30, 2010, 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 tagged as blocks of text.

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: August 6, 2010

By /s/Karen Colonias

Karen Colonias
Chief Financial Officer
(principal accounting and financial officer)