

METWOOD INC  
Form 10-Q  
November 15, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2012

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 00-05391

METWOOD, INC.

(Exact name of small business issuer as specified in its charter)

NEVADA 83-0210365

(State of other jurisdiction (IRS Employer  
of incorporation) Identification No.)

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819 Naff Road, Boones Mill, VA 24065

(Address of principal executive offices) (Zip Code)

(540) 334-4294

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

Indicated by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company as defined by Rule 12B-2 of the Exchange Act:

Large accelerated filer  Non-accelerated filer

Accelerated filer  Smaller reporting company

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

As of September 30, 2012, the number of shares outstanding of the registrant's common stock, \$0.001 par value (the only class of voting stock), was 12,231,797 shares.

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METWOOD, INC. AND SUBSIDIARY

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CONSOLIDATED BALANCE SHEETS

	(UNAUDITED) September 30, 2012	(AUDITED) June 30, 2012
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 75,003	\$58,646
Accounts receivable, net	328,768	231,081
Inventory	904,479	961,780
Other current assets	28,930	31,871
Total current assets	1,337,180	1,283,378
Property and Equipment		
Leasehold and land improvements	333,332	332,779
Furniture, fixtures and equipment	93,458	93,458
Computer hardware, software and peripherals	170,389	167,763
Machinery and shop equipment	461,586	459,087
Vehicles	386,019	381,373
	1,444,784	1,434,460
Less accumulated depreciation	(1,021,125 )	(1,001,068 )
Net property and equipment	423,659	433,392
Other Assets		
Deferred tax asset	212,728	224,317
Less valuation reserve	(106,364 )	(112,159 )
Total other assets	106,364	112,158
<b>TOTAL ASSETS</b>	<b>\$ 1,867,203</b>	<b>\$1,828,928</b>

See accompanying notes to consolidated financial statements.

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CONSOLIDATED BALANCE SHEET

	(UNAUDITED) September 30, 2012	(AUDITED) June 30, 2012
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 188,520	\$ 164,052
Total current liabilities	188,520	164,052
<b>Long-term Liabilities</b>		
Due to related company	104,837	112,711
Total long-term liabilities	104,837	112,711
Total liabilities	293,357	276,763
<b>Stockholders' Equity</b>		
Common stock, \$.001 par, 100,000,000 shares authorized; 12,231,797 shares issued and outstanding at September 30, 2012	12,232	12,232
Common stock not yet issued (\$.001 par, 8,150 shares)	8	8
Additional paid-in capital	1,544,268	1,544,268
Retained earnings	17,338	(4,343 )
Total stockholders' equity	1,573,846	1,552,165
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,867,203</b>	<b>\$ 1,828,928</b>

See accompanying notes to consolidated financial statements.

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METWOOD, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

	Three Months Ended September 30,	
	2012	2011
<b>REVENUES</b>		
Construction sales	\$628,883	\$505,333
Engineering sales	—	2,356
Gross sales	628,883	507,689
Cost of construction sales	380,082	289,441
Cost of engineering sales	—	15,077
Gross cost of sales	380,082	304,518
Gross profit	248,801	203,171
<b>ADMINISTRATIVE EXPENSES</b>		
Advertising	6,285	12,527
Depreciation	7,920	9,832
Insurance	6,219	5,772
Payroll expenses	126,253	124,625
Professional fees	19,481	25,095
Rent	20,400	19,800
Vehicle	7,337	11,602
Other	30,524	29,759
Total administrative expenses	224,419	239,012
Operating income (loss)	24,382	(35,841 )
Other income	3,093	5,493
Income (loss) before income tax benefit	27,475	(30,348 )
Income tax expense (benefit)	5,794	(10,584 )
Net income (loss) from operations	\$21,681	\$(19,764 )
Basic and diluted earnings per share	**	**
Weighted average number of shares	12,231,797	12,231,797

\*\*Less than \$0.01

See accompanying notes to consolidated financial statements.

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METWOOD, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	Three Months Ended September 30,	
	2012	2011
<b>OPERATIONS</b>		
Net income (loss)	\$21,681	\$(19,764 )
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	20,057	22,100
Reversal of deferred income taxes	—	(10,584 )
(Increase) decrease in operating assets:		
Accounts receivable	(98,344)	26,855
Inventory	3,712	(82,485 )
Recoverable income taxes	—	42,606
Other operating assets	62,981	(2,310 )
Increase in operating liabilities:		
Accounts payable and accrued expenses	24,468	58,553
Net cash provided by operating activities	34,555	34,971
<b>INVESTING</b>		
Capital expenditures	(10,324)	(19,236 )
Proceeds from disposal of assets	—	33,811
Net cash (used for) provided by investing activities	(10,324)	14,575
<b>FINANCING</b>		
Decrease in net borrowings	—	(29,888 )
Decrease in borrowings from related party	(7,874 )	(8,821 )
Net cash used for financing activities	(7,874 )	(38,709 )
Net increase in cash	16,357	10,837
Cash, beginning of the year	58,646	180,448
Cash, end of the period	\$75,003	\$191,285

See accompanying notes to consolidated financial statements.

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METWOOD, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

(UNAUDITED)

NOTE 1 – ORGANIZATION AND OPERATIONS

Metwood, Inc. ("Metwood") was organized under the laws of the Commonwealth of Virginia on April 7, 1993. On June 30, 2000, Metwood entered into an Agreement and Plan of Reorganization in which the majority of its outstanding common stock was acquired by a publicly held Nevada shell corporation. The acquisition was a tax-free exchange for federal and state income tax purposes and was accounted for as a reverse merger in accordance with Accounting Principles Board ("APB") Opinion No. 16. Upon acquisition, the name of the shell corporation was changed to Metwood, Inc., and Metwood, Inc., the Virginia Corporation, became a wholly owned subsidiary of Metwood, Inc., the Nevada corporation. The publicly traded shell corporation had not had a material operating history for several years prior to the merger.

Effective January 1, 2002, Metwood acquired certain assets of Providence Engineering, PC ("Providence"), a professional engineering firm with customers in the same proximity as Metwood, for \$350,000 and accounted for the transaction under the purchase method of accounting. As of June 30, 2012, Providence was no longer an operating segment of the Company. We concluded that the majority of the engineering portion of the business can best be handled through a strategic partnership with an outside engineering firm. We believe that continuing research and development efforts will soon enable us to meet code requirements for our products and will eliminate the need for individual engineering seals.

The company provides construction-related products and engineering services to residential customers and contractors, commercial contractors, developers and retail enterprises, primarily in southwestern Virginia.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

Basis of Presentation - The financial statements include the accounts of Metwood, Inc. and its wholly owned subsidiary, Providence Engineering, PC, prepared in accordance with accounting principles generally accepted in the United States of America and pursuant to the rules and regulations of the Securities and Exchange Commission. All significant intercompany balances and transactions have been eliminated.

In the opinion of management, the unaudited condensed financial statements contain all the adjustments necessary in order to make the financial statements not misleading. The results for the period ended September 30, 2012 are not necessarily indicative of the results to be expected for the entire fiscal year ending June 30, 2013.

Fair Value of Financial Instruments - For certain of the company's financial instruments, none of which are held for trading, including cash, accounts receivable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities.

Management's Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable - We grant credit in the form of unsecured accounts receivable to our customers based on an evaluation of their financial condition. We perform ongoing credit evaluations of our customers. The estimate of the allowance for doubtful accounts, which is charged off to bad debt expense, is based on management's assessment of current economic conditions and historical collection experience with each customer. At September 30, 2012, the allowance for doubtful accounts was \$5,000. Specific customer receivables are considered past due when they are outstanding beyond their contractual terms and are charged off to bad debt expense when they are determined to be uncollectible. For the three months ended September 30, 2012 and 2011, the amount of bad debts (recovered) charged off was \$(240) and \$1,697, respectively.

Inventory - Inventory, consisting of metal and wood raw materials, is located on our premises and is stated at the lower of cost or market using the first-in, first-out method.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (Continued)

Property and Equipment - Property and equipment are recorded at cost and include expenditures for improvements when they substantially increase the productive lives of existing assets. Maintenance and repair costs are expensed to operations as incurred. Depreciation is computed using the straight-line method over the assets' estimated useful lives, which range from three to forty years. When a fixed asset is disposed of, its cost and related accumulated depreciation are removed from the accounts. The difference between undepreciated cost and the proceeds is recorded as a gain or loss.

Impairment of Long-lived Assets - We evaluate our long-lived assets for indications of possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparing the carrying amounts to the future net undiscounted cash flows which the assets are expected to generate. Should an impairment exist, the impairment would be measured by the amount by which the carrying amount of the assets exceeds the projected discounted future cash flows arising from the asset. There have been no such impairments of long-lived assets through September 30, 2012.

Patents - We have been assigned several key product patents developed by certain company officers. No value has been recorded in our financial statements because the fair value of the patents was not determinable within reasonable limits at the date of assignment.

Revenue Recognition - Revenue is recognized when goods are shipped and earned or when services are performed, provided collection of the resulting receivable is probable. If any material contingencies are present, revenue recognition is delayed until all material contingencies are eliminated. Further, no revenue is recognized unless collection of the applicable consideration is probable.

Income Taxes - Income taxes are accounted for in accordance with SFAS No. 109, "Accounting for Income Taxes." A deferred tax asset or liability is recorded for all temporary differences between financial and tax reporting and for net operating loss carry forwards, where applicable. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or the entire deferred tax asset will not be realized. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment.

Research and Development - We perform research and development on our metal/wood products, new product lines, and new patents. Costs, if any, are expensed as they are incurred. Research and development costs for the three months ended September 30, 2012 and 2011 were \$142 and \$1,421, respectively.

Earnings Per Common Share - Basic earnings per share amounts are based on the weighted average shares of common stock outstanding. If applicable, diluted earnings per share would assume the conversion, exercise or issuance of all potential common stock instruments such as options, warrants and convertible securities, unless the effect is to reduce a loss or increase earnings per share. This presentation has been adopted for the quarters presented. There were no adjustments required to net income for the years presented in the computation of diluted earnings per share.

Recent Accounting Pronouncements - In July 2012, the FASB issued ASU No. 2012-02, Intangibles Goodwill and Other (Topic 350) – Testing Indefinite-Lived Intangible Assets for Impairment (“ASU 2012-02”). This update amends existing guidance by giving an entity testing an indefinite-lived intangible asset for impairment the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. If an entity determines that it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, then the performance of the quantitative impairment test, as currently prescribed by ASC Topic 350, is required. ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. The company does not currently expect that the adoption of this update will have a significant effect on its financial statements and related disclosures.

In December 2011, the FASB issued ASU No. 2011-11, Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities (“ASU 2011-11”). This update requires the following new disclosures related to recognized financial instruments (and derivatives) subject to master netting arrangements or similar agreements: (i) the gross amounts of recognized financial assets and liabilities, (ii) the amounts offset under current GAAP, (iii) the net amounts presented in the balance sheet, (iv) the amounts subject to an enforceable master netting arrangement or similar agreement that were not included in (ii), and (v) the net amount representing the difference between (iii) and (iv). The update also requires qualitative disclosures related to counterparties, setoff rights, and terms of enforceable master netting arrangements and related agreements depending on their effect or potential effect on the entity’s financial position. The new disclosures will enable financial statement users to compare balance sheets prepared under GAAP and International Financial Reporting Standards (“IFRS”), which are subject to different offsetting models. ASU 2011-11 is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. The company does not currently expect that the adoption of this update in the first quarter of 2013 will have a significant effect on its financial statements and related disclosures.

Management does not believe that any other recently issued accounting pronouncements would have a material effect on the accounting financial statements.

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## NOTE 3 – EARNINGS PER SHARE

Net income (loss) and earnings per share for the three months ended September 30, 2012 and 2011 are as follows:

	For the Three Months Ended September 30,	
	2012	2011
Net income (loss)	\$21,681	\$(19,764 )
Earnings per share - basic and fully diluted	\$ **	\$ **
Weighted average number of shares	12,231,797	12,231,797

\*\*Less than \$0.01

As of November 7, 2012, the number of shares outstanding of the registrant's common stock, \$0.001 par value (the only class of voting stock), was 12,791,797 shares.

## NOTE 4 – SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental disclosures of cash flow information for the three months ended September 30, 2012 and 2011 are summarized as follows:

	For the Three Months Ended September 30,	
	2012	2011
Cash paid for:		
Income taxes	\$ -	\$ -
Interest	\$ 19	\$ 110

## NOTE 5 – RELATED PARTY TRANSACTIONS

From time to time, we contract with a company related through common ownership for building and grounds-related maintenance services. There were no fees paid to the related company for the three months ended September 30, 2012 and 2011. For the three months ended September 30, 2012 and 2011, we had sales of \$7,873 and \$8,821, respectively, to the company referred to above. As of September 30, 2012 and 2011, the related receivable was \$-0- and \$-0-, respectively. See also Note 7.

A debt obligation in the amount of \$112,711 is due and payable to a construction company owned by our President and CEO Robert Callahan, (the "Debt Holder"), for services they provided to the Company, which services were rendered and fully completed on April 1, 2011. The debt is reflected on our current Balance Sheet as a Long Term Liability in the amount of \$112,711, and was also reflected on the Balance Sheet in our Form 10-K Annual Report for the period ended June 30, 2012. The debt has been existence on our Balance Sheet since the period ending June 30, 2011.

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## NOTE 6 – SEGMENT INFORMATION

Until June 30, 2012, we operated in two principal business segments: (1) construction-related products and (2) engineering services. Performance of each segment was evaluated based on profit or loss from operations before income taxes. These reportable segments are strategic business units that have offered different products and services. The company has recently concluded that the majority of the engineering portion of the business can best be handled through a strategic partnership with an outside engineering firm. We believe that continuing research and development efforts will soon enable us to meet code requirements for our products and will eliminate the need for individual engineering seals. Summarized revenue and expense information by segment for the three months ended September 30, 2012 and 2011, as excerpted from internal management reports, is as follows:

	For the Three Months Ended September 30,	
	2012	2011
<b><u>Construction:</u></b>		
Sales	\$628,883	\$505,333
Intersegment expenses	—	(200 )
Cost of sales	(380,082)	(289,441)
Other expenses	(227,120)	(227,130)
Segment loss	\$21,681	\$(11,438 )

<b><u>Engineering:</u></b>		
Sales	\$—	\$2,356
Intersegment revenues	—	200
Cost of sales	—	(15,077 )
Other expenses	—	4,195
Segment loss	\$—	\$(8,326 )

## NOTE 7 – OPERATING LEASE COMMITMENTS

On January 3, 2005, the Company entered into a ten-year commercial operating lease with a company related through common ownership. The lease covers various buildings and property which house our manufacturing plant, executive offices and other buildings with a current monthly rental of \$6,800. The lease expires on December 31, 2014. For the three months ended September 30, 2012 and 2011, we recognized rental expense for these spaces of \$20,400 and \$19,800, respectively.

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ITEM 2 – MANAGEMENT’S DISCUSSION AND ANALYSIS

*With the exception of historical facts stated herein, the matters discussed in this report are "forward-looking" statements that involve risks and uncertainties that could cause actual results to differ materially from projected results. Such "forward-looking" statements include, but are not necessarily limited to, statements regarding anticipated levels of future revenues and earnings from operations of the Company. Readers of this report are cautioned not to put undue reliance on "forward-looking" statements, which are by their nature, uncertain as reliable indicators of future performance.*

**Description of Business**

Background

As discussed in detail in Note 1, we were incorporated under the laws of the Commonwealth of Virginia on April 7, 1993 and, on June 30, 2000, entered into a reverse merger in which it became the wholly owned subsidiary of a public Nevada shell corporation, renamed Metwood, Inc. Effective January 1, 2002, Metwood acquired certain assets of Providence Engineering, PC in a transaction accounted for under the purchase method of accounting.

Description

Residential builders are aware of the superiority of steel framing vs. wood framing, insofar as steel framing is lighter; stronger; termite, pest, rot and fire resistant; and dimensionally more stable in withstanding induced loads. Although use of steel framing in residential construction has generally increased each year since 1980, many residential builders have been hesitant to utilize steel due to the need to retrain framers and subcontractors who are accustomed to a "stick-built" construction method where components are laid out and assembled with nails and screws. The Company's founders, Robert ("Mike") Callahan and Ronald Shiflett, saw the need to combine the strength and durability of steel with the convenience and familiarity of wood and wood fasteners.

Metwood manufactures light-gage steel construction materials, usually combined with wood or wood fasteners, for use in residential and commercial applications in place of more conventional wood products, which are inferior in terms of strength and durability. The steel and steel/wood products allow structures to be built with increased load strength and structural integrity and fewer support beams or support configurations, thereby allowing for structural designs that are not possible with wood-only products.

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Metwood's primary products and services are:

- TUFFBEAM – internally reinforced cold-formed steel beam
- TUFFJOIST – internally reinforced cold-formed steel joist
- TNT FLOOR SYSTEM – combination of TUFFBEAM, NUJOIST, and TUFFJOIST are utilized to make up a complete floor system
- TUFFDECK – concrete deck systems
- RIMBEAM – internally reinforced cold-formed steel load distribution member
- NUJOIST – Metwood is a national distributor for NUJOIST floor joists.
- NUFRAME 3.5 & 5.5 – a fully proprietary panelized CFS wall framing solution
- NUTRUSS 2.0 – a proprietary roof and floor truss system
- AEGIS – Metwood is a distributor and fabricator of Aegis Metal Framing's CFS trusses
- Trimmable square columns
- Joist Reinforcers
- Engineering, design, and custom building services

Metwood is performing ongoing product research and development. Through a strategic partnership with an outside engineering firm, Metwood is able to offer its customers civil engineering capabilities which include rezoning and special use submissions; erosion and sediment control and storm-water management design; residential, commercial, and religious facility site development design; and utility design, including water, sewer and onsite treatment systems.

We also perform a variety of structural design and analysis work, successfully providing solutions for many projects, including retaining walls, residential framing, commercial building framing, light-gage steel fabrication drawings, metal building retrofits and additions, mezzanines, and seismic anchors and restraints.

The company has designed numerous foundations for a variety of structures. Our foundation design expertise includes metal building foundations, traditional building construction foundations, atypical foundations for residential structures, tower foundations, and sign foundations for a variety of uses and applications.

We have also designed and drafted full building plans for several applications. When subcontracting for local companies, we have the ability, in partnership with our outside engineering firm, to provide basic architectural, mechanical, electrical, and detailed civil and structural design services for these facilities.

We have reviewed designs by manufacturers for a variety of structures and structural components, including retaining walls, radio towers, tower foundations, sign foundations, timber trusses, light-gage steel trusses, and light-gage steel beams. This service enables clients to take generic designs and have them certified and approved for construction in the desired locality.



Distribution Methods of Products and Services

Our sales are primarily wholesale, directly to lumberyards, home improvement stores, hardware stores, and plumbing and electrical suppliers in Virginia and North Carolina. Metwood relies primarily on its own sales force to generate sales; additionally, however, the Company has distributors in Virginia, New York, Oklahoma, Arizona and Colorado and also utilizes the salespeople of wholesale yards stocking the Company's products as an additional sales force. We are an authorized vendor for Lowe's, Home Depot, 84 Lumber, Stock Building Supply, ProBuild, and many more. We have several stocking dealers of our square columns and reinforcing products. We will sell directly to contractors in areas where we do not have a dealer, but with our national dealer relationships, we typically have a dealer to use. Metwood intends to continue expanding the wholesale marketing of its unique products to retailers, to increase dealer sales, and to license the Company's technology and products to increase its distribution outside of Virginia, North Carolina and the South.

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Status of Publicly Announced New Products and Services

Metwood has become a fabricator of the Aegis steel truss system and is a supplier of their products to both residential and commercial customers.

Seasonality of Market

Our sales are subject to seasonal impacts, as our products are used in residential and commercial construction projects which tend to be at peak levels in Virginia and North Carolina between the months of March and October. Accordingly, our sales are greater in our fourth and first fiscal quarters. We build an inventory of our products throughout the winter and spring to support our sales season. Due to the seasonality of our local market, we are continuing our efforts to expand into markets that are not so seasonally impacted. We have shipped projects to Florida, Georgia, South Carolina, Arizona, Washington, and more. These markets have some seasonality, but increased exposure in these markets will help maintain stronger sales year round.

Competition

Nationally, there are over one hundred manufacturers of the types of products produced by the Company. However, the majority of these manufacturers are using wood-only products or products without metal reinforcement. Metwood has identified only one other manufacturer in the United States that manufactures a cold-formed steel beam. However, we have often found that our products are the only ones that will work within many customers' design specs.

Sources and Availability of Raw Materials and the Names of Principal Suppliers

All of the raw materials we use are readily available on the market from numerous suppliers. The light-gage metal used by the company is supplied primarily by Telling Industries, Nuconsteel, New Millenium, Allied Tube & Conduit, and Vulcraft. Our main source of lumber is BlueLinx. Re-Steel, Nucor and Gerdau Amersteel provide the majority of our rebar. Because of the number of suppliers available to us, our decisions in purchasing materials are dictated primarily by price and secondarily by availability. We do not anticipate a lack of supply to affect our production; however, a shortage might cause us to pass on higher materials prices to our buyers.

Dependence on One or a Few Major Customers

For the three months ended September 30, 2012 and 2011, sales to certain customers amounted to more than 5% of total sales. Those customers and the related percent of sales greater than 5% were as follows:

	Three Months Ended September 30, 2012 2011	
84 Lumber	7%	6%
Capps Home Building	—	6%
Mod-u-Kraf Homes	7%	—
Pirozzi General Contractor	8%	—
Thomas Elder	9%	—

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PATENTS

The Company has nine U.S. Patents:

U.S. Patent Nos. 5,519,977 and 7,347,031, "Joist Reinforcing Bracket," a bracket that reinforces wooden joists with a hole for the passage of a utility conduit. The Company refers to this as its floor joist patch kit.

U.S. Patent No. 5,625,997, "Composite Beam," a composite beam that includes an elongated metal shell and a pierceable insert for receiving nails, screws or other penetrating fasteners.

U.S. Patent No. 5,832,691, "Composite Beam," a composite beam that includes an elongated metal shell and a pierceable insert for receiving nails, screws or other penetrating fasteners. This is a continuation-in-part of U.S. Patent No. 5,625,997.

U.S. Patent No. 5,921,053, "Internally Reinforced Girder with Pierceable Nonmetal Components," a girder that includes a pair of c-shaped members secured together so as to form a hollow box, which permits the girder to be secured within a building structure with conventional fasteners such as nails, screws and staples.

U.S. Patent Nos. D472,791S, D472,792S, D472,793S, and D477,210S, all modifications of Metwood's Reinforcing Bracket, which will be used for repairs of wood I-joists.

Need for Government Approval of Principal Products

Our products must either be sold with an engineer's seal or applicable building code approval. Currently, we are seeking International Code Council ("ICC") code approval on our TUFFBEAMS. Once that approval is obtained, our products can be used in all fifty states and will eliminate the need for an engineer's seal on individual products. To date, the company's 2x10 floor joist reinforcer has received both Bureau Officials Code Association approval (2001) and ICC approval (2004).

Time Spent During the Last Two Fiscal Years on Research and Development Activities

Approximately fifteen percent of our time and resources has been spent during the last two fiscal years researching and developing our metal/wood products, new product lines, and new patents. We have performed several tests with NTA, Inc. to achieve a cold compliance report on our TUFFBEAM and TUFFJOIST product lines.

Costs and Effects of Compliance with Environmental Laws

We do not incur any costs to comply with environmental laws. We are an environmentally friendly business in that our products are fabricated from recycled steel.

Number of Total Employees and Number of Full-Time Employees

The Company had sixteen employees at September 30, 2012, all of whom were full time.

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**Result of Operations**

Net Income

We had net income of \$21,681 for the three months ended September 30, 2012, versus a net loss of \$19,764 for the three months ended September 30, 2011. Gross profit increased 22% comparing 2012 to 2011; as a percentage of sales, cost of goods sold was steady at 60% comparing 2012 to 2011. Administrative expenses decreased 6% comparing the three months ended September 30, 2012 to the same period in 2011.

Management is currently discussing the possibility of taking the company private as a means of raising capital, improving the bottom line, and removing the high compliance costs incurred as a public company. The present economic environment may make privatization the best option as the company goes forward.

Sales

Revenues were \$628,883 for the three months ended September 30, 2012 compared to \$507,689 for the same period in 2011, an increase of 24%. The sales increase for the three-month period in 2012 compared to 2011 does not appear to reflect an upturn in the overall economy; however, the company remains optimistic that it may portend an improving building industry. Although we have sold product in over twenty-five states since July 2007, our local market nonetheless remains down more than 30%. The potential for increased sales volume as we go forward is enhanced by the fact that we are now an authorized fabricator for the Aegis CFS steel truss system.

Expenses

Total administrative expenses were \$224,419 for the three months ended September 30, 2012, versus \$239,012 for the three months ended September 30, 2011, a decrease of \$14,593. The biggest decrease occurred in advertising, professional fees and vehicle expenses.

Liquidity and Capital Reserves

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On September 30, 2012, we had cash of \$75,003 and working capital of \$1,148,660. Net cash provided by operating activities was \$34,555 for the three months ended September 30, 2012 compared to net cash provided by operating activities of \$34,971 for the three months ended September 30, 2012.

Net cash used in investing activities was \$10,324 for the three months ended September 30, 2012, compared to cash provided by investing activities of \$14,575 during the same period in the prior year. Cash flows used for investing activities for the three months ended September 30, 2012 were for leasehold improvements (\$553), shop equipment (\$2,500), software (\$2,625) and vehicle capital improvements (\$4,646); cash flows used in investing activities for the prior period were for computers and peripherals (\$10,020), vehicles (\$7,461) and other (\$1,755), less disposals of \$33,811.

Cash used in financing activities was \$7,874 for the three months ended September 30, 2012 compared to cash used of \$38,709 for the period ended September 30, 2011. Cash used in the current period was to pay down borrowings from a related party, while net cash used in 2011 was to pay off a vehicle note and to pay down borrowings from a related party.

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ITEM 4 – CONTROLS AND PROCEDURES

*(a) Evaluation of disclosure controls and procedures.*

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 as of the end of the period covered by this Quarterly Report on Form 10-Q. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on our evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

*(b) Changes in Internal Control over financial reporting.*

We regularly review our system of internal control over financial reporting to ensure we maintain an effective internal control environment. As we grow geographically and with new product offerings, we continue to create new processes and controls as well as improve our existing environment to increase efficiencies. Improvements may include such activities as implementing new, more efficient systems, consolidating activities, and migrating processes.

There were no changes in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



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**PART II – OTHER INFORMATION**

**ITEM 6 – EXHIBITS AND REPORTS ON FORM 8-K**

(a) Exhibits

See index to exhibits.

(b) Reports on Form 8-K

There were no reports on Form 8-K Filed during the quarter ended September 30, 2012

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SIGNATURES

In accordance with 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.

Date: November 7, 2012 /s/ Robert M. Callahan  
Robert M. Callahan  
Chief Executive Officer

Date: November 7, 2012 /s/ Shawn A. Callahan  
Shawn A. Callahan  
Chief Financial Officer

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**INDEX OF EXHIBITS**

<b><u>NUMBER</u></b>	<b><u>DESCRIPTION OF EXHIBIT</u></b>
3(i)*	Articles of Incorporation
3(ii)*	By-Laws
31.1	<u>Certification of Chief Executive Officer Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2	<u>Certification of Chief Financial Officer Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32	<u>Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18U.S.C. 1350)</u>

\*Incorporated by reference on Form 8-K, filed February 16, 2000

\*\*Incorporated by reference on Form 8-K, filed February 16, 2000