METWOOD INC
Form 10-Q
May 14, 2012

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

FORM 10-Q

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

For the quarterly period ended March 31, 2012

or

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

For the transition period from: _____________ to _____________

METWOOD, INC

(Exact name of registrant as specified in its charter)

NEVADA	000-05391	83-0210365
(State or Other Jurisdiction of Incorporation or Organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

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 or former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company as defined by Rule 12b-2 of the Exchange Act

Large accelerated filer o Accelerated filer o Non-accelerated filer o Smaller reporting company þ

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

As of May 10, 2012, the number of shares outstanding of the registrant’s commons 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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METWOOD, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	(UNAUDITED) March 31, 2012	(AUDITED) June 30, 2011
ASSETS		
Current Assets		
Cash and cash equivalents	$ 126,452	$ 180,448
Accounts receivable, net	264,908	240,581
Inventory	958,773	855,864
Recoverable income taxes	—	42,606
Other current assets	9,922	47,872
Total current assets	1,360,055	1,367,371
Property and Equipment		
Leasehold and land improvements	332,778	327,449
Furniture, fixtures and equipment	97,514	98,458
Computer hardware, software and peripherals	175,400	159,261
Machinery and shop equipment	459,087	457,688
Vehicles	399,574	420,533
	1,464,353	1,463,389
Less accumulated depreciation	(1,006,825)	(935,093)
Net property and equipment	457,528	528,296
Other Assets		
Deferred tax asset	49,883	157,792
Less valuation reserve	—	(120,732
Total other assets	49,883	37,060
Goodwill	253,088	253,088
TOTAL ASSETS	$ 2,120,554	$ 2,185,815
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	$ 115,654	$ 111,901
Note payable	—	5,359
Total current liabilities	115,654	117,260

Long-term Liabilities		
Note payable	—	24,529
Due to related company	121,334	136,942
Total long-term liabilities	121,334	161,471
Total liabilities	236,988	278,731
Stockholders' Equity		
Common stock, $.001 par, 100,000,000 shares authorized; 12,231,797 shares issued and outstanding at March 31,2012	12,232	12,232
Common stock not yet issued ($.001 par, 8,150 shares)	8	8
Additional paid-in capital	1,544,268	1,544,268
Retained earnings	327,058	350,576
Total stockholders' equity	1,883,566	1,907,084
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,120,554	$ 2,185,815

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
REVENUES				
Construction sales	$446,419	$411,432	$1,508,192	$1,615,149
Engineering sales	—	48,834	14,856	139,188
Gross sales	446,419	460,266	1,523,048	1,754,337
Cost of construction sales	253,583	260,715	888,013	992,267
Cost of engineering sales	—	43,769	19,565	126,501
Gross cost of sales	253,583	304,484	907,578	1,118,768
Gross profit	192,836	155,782	615,470	635,569
ADMINISTRATIVE EXPENSES				
Advertising	14,139	8,106	35,254	58,103
Depreciation	9,374	9,991	28,394	29,426
Insurance	11,857	5,110	19,594	14,703
Payroll expenses	120,563	142,333	366,109	438,254
Professional fees	14,763	13,215	45,133	44,533
Rent	20,400	19,800	60,200	59,400
Vehicle	15,062	11,272	37,624	34,385
Other	24,937	12,837	77,627	132,050
Total administrative expenses	231,095	222,664	669,935	810,854
Operating loss	(38,259)	(66,882)	(54,465)	(175,285)
Other income	8,559	2,614	18,124	9,967
Loss before income taxes	(29,700)	(64,268)	(36,341)	(165,318)
Income tax benefit	(4,019)	(30,732)	(12,823)	(92,941)
Net loss from operations	$(25,681)	$(33,536)	$(23,518)	$(72,377)
Basic and diluted deficit per share	$ **	$ **	$ **	$0.01
Weighted average number of shares	12,231,797	12,231,797	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)

	Nine Months Ended March 31, 2012	2011
OPERATIONS		
Net income (loss)	$(23,518)	$(72,377)
Adjustment to reconcile net income to net cash from operating activities: Depreciation	71,732	74,796
Provision for (reversal of) deferred income taxes	(12,823)	(7,777)
(Increase) decrease in operating assets:	—	
Accounts receivable	(88)	63,177
Inventory	(102,908)	18,508
Recoverable income taxes	42,606	(85,164)
Other operating assets	13,711	3,931
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	3,752	(81,076)
Net cash used for operating activities	(7,536)	(85,982)
INVESTING		
Capital expenditures	(37,347)	(262,022)
Proceeds from disposal of assets	36,383	9,100
Net cash used for investing activities	(964)	(252,922)
FINANCING		
Increase (decrease) in net borrowings	(29,888)	31,342
Decrease in borrowings from related party	(15,608)	(37,854)
Net cash used for financing activities	(45,496)	(6,512)
Net decrease in cash	(53,996)	(345,416)
Cash, beginning of the year	180,448	403,512
Cash, end of the period	$126,452	$58,096

See accompanying notes to consolidated financial statements.

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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. The total purchase price of $350,000 was paid with $60,000 in cash and with 290,000 shares of the Company's common stock to the two Providence shareholders. These shares were valued at the closing active quoted market price of the stock at the effective date of the purchase, which was $1.00 per share. One of the shareholders of Providence was also an officer and existing shareholder of Metwood prior to the acquisition. The transaction was accounted for under the purchase method of accounting. Liabilities assumed at the date of acquisition were identified, paid and added to goodwill.

The consolidated company ("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 consolidated financial statements contain all the adjustments necessary in order to make the financial statements not misleading. The results for the period ended March 31, 2012 are not necessarily indicative of the results to be expected for the entire fiscal year ending June 30, 2012.

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 consolidated 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 consolidated 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 March 31, 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 determined uncollectible. For the three and nine months ended March 31, 2012, the amount of bad debts charged off was $-0- and $1,697, respectively. For the three and nine months ended March 31, 2011, bad debts charged off were $2,148 and $37,893, 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.

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.

Goodwill - We account for goodwill and intangibles under SFAS No. 142, “Goodwill and Other Intangible Assets.” As such, goodwill is not amortized, but is subject to annual impairment reviews, or more frequent reviews if events or circumstances indicate there may be an impairment. We performed our required annual goodwill impairment test as of June 30, 2011 using discounted cash flow estimates and found that there was no impairment of goodwill.

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 March 31, 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 carryforwards, 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 (refunded amounts) for the three months ended March 31, 2012 and 2011 were $1,289 and $(3,513), respectively. For the nine months ended March 31, 2012 and 2011, research and development costs were $(803) and $-0-, 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 May 2011, the Financial Accounting Standards Board (“FASB”) issued an Accounting Standards Update (“ASU”) No. 2011-04 amending Topic 820 that substantially converged the requirements for fair value measurement and disclosure between the FASB and the International Accounting Standards Board (“IASB”). This ASU is largely consistent with existing fair value measurement principles under U.S. GAAP. This ASU was effective for the Company in its quarter beginning January 1, 2012 and has not had a material impact on the Company’s financial statements.

In June 2011, the FASB issued ASU 2011-05 amending Topic 220 that addressed the presentation of comprehensive income in the financial statements. This accounting update allows an entity the option to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In addition, this ASU eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity and does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. This ASU is effective for the Company in its quarter beginning January 1, 2012 and is not expected to have a material impact on the Company's financial statements other than modifying the presentation of comprehensive income.

In September 2011,the FASB issued ASU2011-08 amending Topic 350 that allows an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Under this new ASU, if a Company chooses the qualitative method, an entity would not be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. This ASU is effective for annual and interim impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The Company does not expect this ASU to have a material impact on its financial statements.

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

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NOTE 3 - EARNINGS PER SHARE

Net income (loss) and earnings per share for the three and nine months ended March 31, 2012 and 2011 are as follows:

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2012	2011	2012	2011
Net income (loss)	$(25,681)	$ (33,536)	$(23,518)	$ (72,377)
Earnings per share - basic and fully diluted	$ **	$ **	$ **	$(0.01)
Weighted average number of shares	12,231,797	12,231,797	12,231,797	12,231,797

**Less than $0.01

NOTE 4 - SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental disclosures of cash flow information for the three and nine months ended March 31, 2012 and 2011 are summarized as follows:

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2012	2011	2012	2011
Cash paid for:				
Income taxes	$ -	$ -	$ -	$ -
Interest	$ -	$ -	$ -	$ -

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 and nine months ended March 31, 2012 and 2011. For the three months ended March 31, 2012 and 2011, we had sales of $3,553 and $10,129 respectively, to the company referred to above. For the nine months ended March 31, 2012 and 2011, we had sales of $15,608 and $109,051 to the company. As of March 31, 2012 and 2011, the related receivable was $-0- and $-0-, respectively. See also Note 7.

NOTE 6 - SEGMENT INFORMATION

We have previously operated in two principal business segments: (1) construction-related products and (2) engineering services. Performance of each segment has been 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 and nine months ended March 31, 2012 and 2011, as excerpted from internal management reports, is as follows:

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
Construction:	2012	2011	2012	2011
Sales	$446,419	$411,432	$1,508,192	$1,615,149
Intersegment expenses	—	(5,783)	(200)	(16,453)
Cost of sales	(253,583)	(260,715)	(888,013)	(992,267)
Other expenses	(215,277)	(175,960)	(637,346)	(671,247)
Segment loss	$(22,441)	$(31,026)	$(17,367)	$(64,818)
Engineering:				
Sales	$—	$48,834	$14,856	$139,188
Intersegment revenues	—	5,783	200	16,453
Cost of sales	—	(43,769)	(19,565)	(126,501)
Other expenses	(3,240)	(13,358)	(1,642)	(36,699)
Segment loss	$(3,240)	$(2,510)	$(6,151)	$(7,559)

NOTE 8 - 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 March 31, 2012 and 2011, we recognized rental expense for these spaces of $20,400 and $19,800, respectively. For the nine months ended March 31, 2012 and 2011,

we recognized rental expense of $60,200 and 59,400 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.

Metwood's primary products and services are:

- TUFFBEAM - internally reinforced cold-formed steel beam
- TUFFJOIST - internally reinforced cold-formed steel joist
- TNT FLOOR SYSTEM - combinations of TUFFBEAM, NUJOIST and TUFFJOIST are utilized to make up a complete floor system
- TUFFDECK - concrete deck systems
- RIMBEAM - internally reinforced CFS load distribution member
- NUJOIST - Metwood is a national distributor for NUJOIST floor joist system by Nuconsteel
- NUFRAME 3.5 & 5.5 - a fully proprietary panelized load bearing and non-load bearing CFS wall framing solution
- NUTRUSS 2.0 - a proprietary roof and floor truss system
- NUTRUSS - CFS truss system
- Accel-E - Metwood is a distributor of these steel thermal-efficient panels
- 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, The Contractor Yard, 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. We are in discussions with national engineered I-joist manufacturers who are interested in marketing the Company's products and expect to announce affiliations with these companies in the near future. 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.

In October 2010, Metwood signed a letter of intent with Nuconsteel ("Nucon"), a Nucor company, to team with Nucon to increase our sales of the TUFFBEAM, TUFFJOIST, and RIMBEAM ("products"). We will provide, among other things, an unrestricted, exclusive license (except for defined Metwood territory) to Nucon to sell and manufacture all current and future products. Nucon will pay us a royalty for all products manufactured by Nucon and their sub-licensees and will sell us Nucon's complete line of NUJOIST product at the most favorable pricing. Nucon will also integrate Metwood into the Nucon Fabrication Network. Nucon will provide us with certain equipment in exchange for the exclusive rights granted in the agreement. The agreement will be in effect for two years with renewals for additional periods of one year.

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ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUE)

Status of Publicly Announced New Products or Services

Metwood is currently negotiating with Syntheon, Inc. to become an exclusive OEM for their Accel-E panels and certain other construction products in Virginia, West Virginia, Maryland, North Carolina and the District of Columbia (the "Territory") and as a non-exclusive OEM for Syntheon products for use in residential, single family construction both inside and outside of the Territory.

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 wil 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 cold-formed steel used by the Company is supplied primarily by Nuconsteel, Clark Western, and Vulcraft. Our main source of lumber is BlueLinx. Nucor Bar Mill provides 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 customers.

Dependence on One or a Few Major Customers

For the three and

nine months ended March 31, 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 March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
84 Lumber	7%	9%	8%	7%
Capps Home Building	—	6%	—	—
Caribbean Building Supplies, Inc.	8%	—	—	—
Davenport Development	—	—	—	6%
Healing Strides of Virginia	8%	—	—	—
Probuild Co., LLC	10%	12%	6%	7%
Smith Mtn. Building Supply, LLC	6%	—	—	—
The Lester Group, Inc.	6%	—	—	—
Timber Truss	—	6%	—	—

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. The Company's chief engineer has obtained professional licensure in several states, which permits products not building code approved to be sold and used with his seal. We expect his licensure in a growing number of states to greatly assist in the uniform acceptability of our products as we expand to new markets. Currently, we are seeking International Code Council ("ICC") code approval on our joist reinforcers and beams. 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 seventeen employees at March 31, 2012, all of whom were full time.

Results of Operations

Net Loss

We had a net loss of $25,681 for the three months ended March 31, 2012, versus a net loss of $33,536 for the three months ended March 31, 2011. Construction sales increased 8% comparing 2012 to 2011; as a percentage of construction sales, cost of goods sold was 57% and 63% comparing 2012 to 2011. Engineering sales decreased 100% comparing 2012 to 2011. Administrative expenses increased 4% comparing the three months ended March 31, 2012 to the same period in 2011.

For the nine months ended March 31, 2012 and 2011, we incurred losses of $23,518 and $72,377. Gross sales declined 13% between the two periods, but cost of sales decreased 19% comparing 2012 and 2011, and administrative expenses decreased 17% for the nine months ended March 31, 2012 compared to 2011. The net result was a bottom line improvement of 67% comparing the two periods.

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 $446,419 for the three months ended March 31, 2012 compared to $460,266 for the same period in 2011, an increase of 3%. For the nine-month periods ended March 31, 2012 and 2011, sales were $1,523,048 and $1,754,337, respectively, a decrease of 13%. The sales increase for the three-month period in 2012 compared to 2011 were not significant enough 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 Dynatruss light-gauge steel truss system, begun in March 2008.

Expenses

Total administrative expenses were $231,095 for the three months ended March 31, 2012, versus $222,664 for the three months ended March 31, 2011, an increase of $8,431. For the nine months ended March 31, 2012, administrative expenses were $669,935 compared to $810,854 for the nine months ended March 31, 2011. The biggest decrease occurred in payroll and other expenses

Liquidity and Capital Reserves

On March 31, 2012, we had cash of $126,452 and working capital of $1,244,401. Net cash used in operating activities was $7,536 for the nine months ended March 31, 2012 compared to net cash used in operating activities of $85,982 for the nine months ended March 31, 2012. The increased provision of cash from operating activities in the current year resulted primarily from the decrease in inventory and recoverable income taxes.

Net cash used in investing activities was $964 for the nine months ended March 31, 2012, compared to cash used of $252,922 during the same period in the prior year. Cash flows provided from investing activities ($36,383) for the nine months ended March 31, 2012 were from scrapped computers and equipment and a vehicle sale; cash flows used for investing activities $37,347) were for computers and peripherals ($11,804), vehicles ($12,851), leasehold improvements ($5,330), shop equipment ($1,399), website development ($2,575), and software ($3,388).

Cash used in financing activities was $45,496 for the nine months ended March 31, 2012 compared to cash used of $6,512 for the period ended March 31, 2011. The net cash used in 2012 was to pay off a vehicle note and to pay down borrowings from a related party.

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.

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 March 31, 2012.

INDEX TO EXHIBITS

NUMBER DESCRIPTION OF EXHIBIT

3(i)*	Articles of Incorporation
3(ii)**	By-Laws
31.1	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
31.2	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
32	Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18U.S.C. 1350)

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

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

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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: May 11, 2012

/s/Robert M. Callahan

Robert M. Callahan

Chief Executive Officer

Date: May 11, 2012

/s/ Shawn A. Callahan

Shawn A. Callahan

Chief Financial Officer