

METWOOD INC  
Form 10-K/A  
February 21, 2012

UNITED STATES SECURITIES AND EXCHANGE  
COMMISSION

Washington, D.C. 20549

FORM 10-K /A  
Amendment No. 1

ANNUAL REPORT UNDER SECTION 13 OR  
15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the fiscal year ended June 30, 2011

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

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

Commission file number 000-05391

METWOOD, INC.  
(Name of small business issuer in its charter)

NEVADA                      83-0210365  
(State or other jurisdiction     (IRS Employer  
of incorporation or organization) Identification No.)

819 Naff Road, Boones Mill, VA 24065  
(Address of principal executive offices)

(540) 334-4294  
(Issuer's telephone number)

Securities registered under Section 12(b) of the  
Exchange Act:  
None

Securities registered under Section 12(g) of the  
Exchange Act:

\$0.001 Par Value Common Voting Stock  
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No  S

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the the Act. Yes  No  S

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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  S

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company  S

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

As of  
December 31,  
2010, the  
aggregate  
market value  
of the  
12,231,797  
common  
shares  
outstanding  
(based upon  
the average of  
the bid price  
(\$0.15)  
reported on  
the OTCQB  
Market) held  
by  
non-affiliates  
was  
\$1,834,770

As of  
September  
13, 2011, 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  
FORM 10-K  
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**EXPLANATORY NOTE**

This Annual Report on Form 10-K/A is being filed as Amendment No. 1 to our Annual Report on Form 10-K for the fiscal year ended June 30, 2011. The Form 10-K was originally filed with the Securities and Exchange Commission on September 14, 2011.

We are amending original Form 10-K to include the revised languages in the controls and procedures section of the report.

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Annual Report on Form 10-K contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations, business strategies, operating efficiencies or synergies, competitive positions, growth opportunities for existing products, and plans and objectives of management. Statements that are not historical in nature and which include such words as "anticipate," "estimate," "should," "expect," "believe," "intend," and similar expressions are intended to identify forward-looking statements for the purpose of the safe harbor provided by Section 21E of the Exchange Act and Section 27A of the Securities Act

**PART I**

**Item 1. Description of Business**

**Business Development**

The company was incorporated under the laws of the State of Wyoming on June 19, 1969. Following an involuntary dissolution for failure to file an annual report, the company was reinstated as a Wyoming corporation on October 14, 1999. On January 28, 2000, the company, through a majority shareholder vote, changed its domicile to Nevada through a merger with EMC Energies, Inc., a Nevada corporation. The Plan of Merger provided for the dissenting shareholders to be paid the amount, if any, to which they would be entitled under the Wyoming Corporation Statutes with respect to the rights of dissenting shareholders. The company also changed its par value to \$.001 and the amount of authorized common stock to 100,000,000 shares

Prior to 1990, the company was engaged in the business of exploring for and producing oil and gas in the Rocky Mountain and mid-continental areas of the United States. The company liquidated substantially all of its assets in 1990 and was dormant until June 30, 2000, when it acquired, in a stock-for-stock, tax-free exchange, all of the outstanding common stock of a privately held Virginia corporation, Metwood, Inc. ("Metwood"), which was incorporated in 1993. See Form 8-K and attached exhibits filed August 11, 2000. Metwood has been in the metal and metal/wood construction materials manufacturing business since 1992. Following the acquisition, the company approved a name change from EMC Energies, Inc. to Metwood, Inc.

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, paying \$60,000 in cash and issuing 290,000 Metwood common shares to the two Providence shareholders (one of whom was also an officer and existing shareholder of Metwood prior to the acquisition). These shares were valued at the closing quoted stock price of \$1.00 per share at the effective date of the purchase. On October 15, 2002, \$15,000 additional cash was paid to one shareholder in exchange for the shareholder's surrender of 15,000 shares of Metwood stock, and \$50,000 was paid to that shareholder in two installments of \$25,000 each (on January 15 and April 15, 2004) for 275,000 shares. All of the originally issued 290,000 shares of Metwood stock were thus repurchased. The initial purchase transaction was accounted for under the purchase method of accounting

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The consolidated company ("the Company," "We," "Us," "Our") provides construction-related products and engineering services to residential customers and contractors, commercial contractors, developers and retail enterprises, primarily in southwestern Virginia

### Principal Products or Services and Markets

Metwood - 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 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

Our primary products and services are:

- Girders and headers
- Floor joists
- Floor joist reinforcers
- Roof and floor trusses and rafters
- Metal framing
- Square structural columns
- Garage, deck and porch concrete pourover systems
- Garage and post-and-beam buildings
- Engineering, design and custom building services

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

Providence - Extensively involved in ongoing product research and development for Metwood, Providence also offers 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. Providence's staff is familiar with construction practices and has been actively involved in construction administration and inspection on multiple projects.

Providence also performs 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

Providence has designed numerous foundations for a variety of structures. Its 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

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Providence has also designed and drafted full building plans for several applications. When subcontracting with local professional firms, Providence has the ability to provide basic architectural, mechanical, electrical, and detailed civil and structural design services for these facilities

Providence has 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

### Status of Publicly Announced New Products or Services

The Company acquired four new patents through assignment from Robert Callahan and Ronald Shiflett, the patent holders. All four patents reflect various modifications to our Joist Reinforcing Bracket which will make it even easier for tradesmen to insert utility conduits through wood joists. 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

### 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

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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 wood-metal floor truss similar to ours. 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 Dietrich Industries, Nuconsteel, Clark Western, and Wheeling Corrugating. Our main source of lumber is BlueLinx. 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 fiscal years ending June 30, 2011 and 2010, no customer accounted for 10% or more of total sales.

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, a continuation in part of 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. 5,921,053, "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 Joist Reinforcing Bracket, which will be used for repairs of wood I-joists

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Each of the above-mentioned patents was originally issued to the inventors and Company founders, Robert Callahan and Ronald B. Shiflett, who licensed these patents to us

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 have been spent during the last two fiscal years researching and developing our metal/wood products, new product lines, and new patents

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

We had eighteen employees at June 30, 2011, all of whom were full time

Item 1A. Risk Factors

Our business is subject to various risks, including those described below. You should carefully consider the following risk factors and all other information contained in this Form 10-K. If any of the following events or outcomes actually occurs, our business, operating results, and financial conditions would likely suffer

Changing economic conditions could materially adversely affect us - Our operations and performance depend significantly on regional and national economic conditions and their impact on levels of spending by our customers and end users. Currently, those economic conditions have deteriorated and may remain depressed for the foreseeable future. These changing economic conditions could have a material adverse effect on demand for our products and on our financial condition and operating results

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Current volatility and disruption in the capital and credit markets may continue to exert downward pressure on our stock price - The capital and credit markets have been experiencing extreme volatility and disruption over the past year. Stock markets in general, and our stock price in particular, have experienced significant volatility over the past year. Our stock recently traded at historic lows. In the future, there can be no assurance that price volatility in the stock markets in general will abate or that our stock price in particular will rise. Additionally, the volatility in the credit markets could impact our ability to access new financing

We have a history of operating losses and may incur future losses. We incurred a net loss of \$86,262 for the fiscal year ended June 30, 2011 and \$196,085 for the year ended June 30, 2010. Our ability to generate significant revenues and maintain profitability is dependent in large part on our ability to expand our customer base; increase sales of our products to existing customers; manage our expense growth; enter into additional supply, license and collaborative arrangements; and successfully manufacture and commercialize products incorporating our technologies in new applications and in new markets

Item 2. Properties

During the year ended June 30, 2005, we sold our facilities to a related party for \$600,000 and subsequently leased the facilities back under a long-term lease agreement. We now lease our facilities in Boones Mill, Virginia, which consist of corporate offices, warehouses, a garage/vehicle maintenance building, and other multi-use buildings. The condition of these buildings is very good

We do not invest in real estate or interests in real estate, real estate mortgages or securities of or interests in persons primarily engaged in real estate activities and therefore have no policies related to such investments

Item 3. Legal Proceedings

We are currently the complainant in two legal proceedings seeking to recover unpaid amounts from customers. We are not a party to any other legal proceedings, nor, to the best of our knowledge, are any such proceedings threatened or contemplated

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote during the year

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**PART II**

Item 5. Market for Common Equity and Related Stockholder Matters

Because there is no active trading market for Metwood, Inc. common stock, it is difficult to determine the market value of the stock. Based on the best bid price for our common stock at July 21, 2011 of \$.22 per share (best ask price of \$.43), the market value of shares held by non-affiliates would be \$2,690,995. There are no preferred shares authorized

Our common stock is currently listed on the OTCQB Market, the middle tier of the OTC marketplace, under the symbol "MTWD.OB."

The following table sets forth high and low bid information for each full quarterly period within the two most recent fiscal years. These over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions

Year Ended	High	Bid
June 30, 2011		
First Quarter	\$0.25	\$0.13
Second Quarter	\$0.55	\$0.11
Third Quarter	\$0.43	\$0.18
Fourth Quarter	\$0.43	\$0.21

Year Ended		
June 30, 2010		
First Quarter	\$1.80	\$0.05
Second Quarter	\$0.10	\$0.07
Third Quarter	\$0.26	\$0.10
Fourth Quarter	\$0.25	\$0.03

#### Holdings

The approximate number of holders of record of our common stock as of September 13, 2011 was 1,114.

This number does not include an indeterminate number of stockholders whose shares are held by brokers in street name.

The number of stockholders has been substantially the same during the past ten years

#### Dividends

Per the negative covenants in our line-of-credit agreement, we



are restricted from paying dividends when any debt remains outstanding on the lines. We have not paid any dividends on our common stock and do not intend to pay dividends in the foreseeable future

Item 7.  
Management's  
Discussion and  
Analysis of  
Financial  
Condition and  
Results of  
Operation

Financial  
Condition

We anticipate that the next twelve months will be a period of continued growth as we seek to further expand our presence in new markets throughout the United States through increased numbers of distributors, licensees and dealers. ICC code approval is being sought for the Company's joist reinforcers and beams and is expected to be

obtained within the coming fiscal year. If this approval is obtained, product marketability would be greatly enhanced and would likely lead to higher demand.

Higher product demand would likely increase the need for more capital as inventory requirements grew, which could be met through borrowing or a stock offering. No decision has been made at the present time, however, as to which means might be used to raise capital

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Operations

Below are  
selected  
financial  
data for  
the years  
ended  
June 30,  
2011 and  
2010:

	2011	2010
Revenues	\$2,212,757	\$2,209,942
Net loss	\$(86,262 )	\$(196,085 )
Net loss per common share	\$(0.01 )	\$(0.02 )
Weighted average common shares outstanding	12,231,797	12,231,797

At June 30, 2011 and 2010:

Total assets	\$2,185,815	\$2,406,203
Working capital	\$1,250,111	\$1,589,855
Shareholders' equity	\$1,907,084	\$1,993,346

No  
dividends  
have been  
declared or  
paid during  
the periods  
presented

*Revenues and  
Cost of Sales*

-

*Consolidated  
gross sales  
increased  
slightly  
(\$2,815, or*

*less than 1%)  
for the year  
ended June  
30, 2011  
("fiscal  
2011")  
compared to  
the year  
ended June  
30, 2010  
("fiscal  
2010").*

*Construction  
sales  
consisted of  
product sales,  
engineering,  
delivery and  
installation  
fees and  
increased  
\$14,224 (1%)  
comparing  
fiscal 2011 to  
2010.*

*Engineering  
sales  
consisted of  
fees for  
engineering  
services and  
declined  
\$11,409 (6%)  
comparing  
fiscal 2011 to  
2010. Gross  
profit  
increased  
\$41,531 (5%)  
from fiscal  
2010 to fiscal  
2011*

The slight sales increase for fiscal 2011 versus 2010 continues to reflect an ongoing general downturn in the building industry. Although we have sold product in over twenty-five states, our local market is down more than 50%. Now the commercial market is not overcoming some of the residential downturn. The potential for increased sales volume as the Company goes forward is enhanced by the fact that we now have two NUFRAME and one NUTRUSS 2.0 machines and that we are an authorized fabricator for the NUTRUSS light-gage steel truss system, begun in March 2010.

Cost of sales decreased \$38,716 overall (3%) in fiscal 2011 compared to fiscal 2010. On the construction side, cost of sales decreased \$46,448 (4%), while cost of engineering sales increased \$7,732 (5%). The change in construction and engineering costs was proportional to the change in sales for the same period

*Administrative expenses - These costs decreased \$117,297, or 10%, to \$1,040,238 in fiscal 2011 from \$1,157,535 in fiscal 2010. The decrease resulted from lower costs in nearly every category reported, notably payroll, insurance and travel expenses. We are invested in decreasing expenditures where possible in order to maximize our net earnings.*

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Other Income - Other income in fiscal 2011 was 13,135 (47%) lower than fiscal 2010. The decrease resulted primarily from lower customer finance charges

Income Taxes - In fiscal 2011 we recorded an income tax benefit of \$54,145 compared to a tax benefit of \$90,015 in fiscal 2010. An income tax benefit was recognized in both fiscal years because, in addition to the book loss experienced, temporary ("timing") differences between book and tax income gave rise to a higher tax loss, which will be carried forward and offset future taxable income. A deferred tax asset has been recorded to reflect the potential future benefit of such a carryforward. Since the realization of such an asset is uncertain, we have also recorded a valuation allowance to reduce this asset to its net realizable value. We decreased our deferred tax liability by \$33,558 in 2011 due to a turnaround of deferred taxes previously recorded. The primary components of the deferred tax liability relate to timing

differences between book and tax depreciation and the treatment of goodwill amortization.

Liquidity and Capital Reserves - Cash flows provided by operating activities in fiscal 2011 were \$47,395 versus net cash used for operating activities of \$73,541 in fiscal 2010, a change of \$120,936. The increase in cash flows from operations was primarily attributable to decreases in inventory and an increase in depreciation and refundable income taxes. We also used approximately \$271,000 for capital improvements and purchases of fixed assets. Financing activities in fiscal 2011 used \$8,197 compared to \$175,027 provided in fiscal 2010. The main use of funds in 2011 was from amounts repaid to a related party, while funds provided in 2010 in financing activities were from amounts loaned to us from a related party

We have historically funded our cash needs through operating income and credit line draws as needed. We will continue to rely on sales revenue as our main source of liquidity

and will incur debt primarily to fund inventory purchases as sales growth produces increased product demand. Liquidity needs that cannot be met by current sales revenue may also arise in certain unusual circumstances such as has previously occurred when rain and snow significantly slowed construction activity and resulted in a corresponding decline in demand for our products. In those circumstances, debt may be added to meet our fixed costs and to maintain inventory in anticipation of a spurt in product demand that generally occurs once a weather-related slowdown has ended

On a long-term basis, we also anticipate that product demand will increase considerably as we continue to expand our marketing and advertising campaign, which may include the use of television, radio, print and internet advertising. Efforts are well underway to increase the number of out-of-state sales representatives/brokers who will market our products throughout the country. As sales increase, we can add a second shift to meet the additional product



demand without having to use funds to expand our production facilities. If additional cash becomes necessary to fund our growth, we may raise this capital through an additional follow-on stock offering rather than taking on more debt. However, there can be no assurance that we will be able to obtain additional equity or debt financing in the future. If we are unable to raise additional capital as needed, our growth potential will be adversely affected, and we would have to significantly modify our plans

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Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of  
Metwood, Inc.

We have audited the accompanying consolidated balance sheets of Metwood, Inc. (a Nevada corporation) and subsidiary as of June 30, 2011 and 2010, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits

We conducted our audits in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Metwood, Inc. and subsidiary as of June 30, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

/s/ Bongiovanni & Associates, CPAs  
Bongiovanni & Associates, CPAs  
Cornelius, North Carolina

September 13, 2011

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CONSOLIDATED BALANCE SHEETS  
JUNE 30, 2011 AND 2010

	June 30, 2011	2010
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 180,448	\$403,512
Accounts receivable, net	240,581	297,828
Inventory	855,864	938,878
Recoverable income taxes	42,606	84,383
Other current assets	47,872	53,329
Total current assets	1,367,371	1,777,930
Property and Equipment		
Leasehold improvements	259,490	168,338
Furniture, fixtures and equipment	98,458	97,766
Computer hardware, software and peripherals	159,261	155,924
Machinery and shop equipment	457,688	356,166
Vehicles	420,533	380,834
Land improvements	67,959	42,099
	1,463,389	1,201,127
Less accumulated depreciation	(935,093 )	(825,942 )
Net property and equipment	528,296	375,185
Other Assets		
Deferred tax asset	157,792	—
Less valuation reserve	(120,732 )	—
	37,060	—
Goodwill	253,088	253,088
<b>TOTAL ASSETS</b>	<b>\$2,185,815</b>	<b>\$2,406,203</b>

See accompanying notes to consolidated financial statements

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METWOOD, INC. AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS  
JUNE 30, 2011 AND 2010

	June 30, 2011	2010
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$78,401	\$148,661
Note payable	5,359	\$—
Accrued expenses	33,500	39,414
<b>Total current liabilities</b>	<b>117,260</b>	<b>188,075</b>
<b>Long-term Liabilities</b>		
Note payable	24,529	—
Due to related company	136,942	175,027
<b>Total long-term liabilities</b>	<b>161,471</b>	<b>175,027</b>
<b>Total liabilities</b>	<b>278,731</b>	<b>363,102</b>
<b>Stockholders' Equity</b>		
Common stock (\$.001 par, 100,000,000 shares authorized; 12,231,797 shares issued and outstanding at June 30, 2011)	12,232	12,232
Common stock not yet issued (\$.001 par, 8,150 shares at June 30, 2011)	8	8
Additional paid-in capital	1,544,268	1,544,268
Retained earnings	350,576	436,838
<b>Total stockholders' equity</b>	<b>1,907,084</b>	<b>1,993,346</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$2,185,815</b>	<b>\$2,356,448</b>

See accompanying notes to consolidated financial statements

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METWOOD, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED JUNE 30, 2011 and 2010

	2011	2010
<b>REVENUES</b>		
Construction sales	\$2,048,516	\$2,034,292
Engineering sales	164,241	175,650
Gross sales	2,212,757	2,209,942
Cost of construction sales	1,161,821	1,208,269
Cost of engineering sales	165,805	158,073
Gross cost of sales	1,327,626	1,366,342
Gross profit	885,131	843,600
<b>ADMINISTRATIVE EXPENSES</b>		
Advertising	79,004	63,106
Bad debt provision	13,332	20,282
Depreciation	43,016	52,849
Insurance	18,720	36,999
Office expense	13,942	10,318
Payroll expenses	559,136	600,592
Professional fees	55,876	47,876
Rent	79,200	79,200
Research and development	10,555	6,940
Telephone	19,820	21,986
Travel	9,948	22,248
Vehicle	48,683	43,811
Other	89,006	151,328
Total administrative expenses	1,040,238	1,157,535
Operating loss	(155,107 )	(313,935 )
Other income	14,700	27,835
Loss before income taxes	(140,407 )	(286,100 )
Income tax benefit	(54,145 )	(90,015 )
Net loss	\$(86,262 )	\$(196,085 )
Basic and diluted deficit per share	\$(0.01 )	\$(0.02 )
Weighted average number of shares	12,231,797	12,231,797

See accompanying notes to consolidated financial statements

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METWOOD, INC. AND SUBSIDIARY  
 CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
 FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	Common Shares (000s)	Common Shares (\$.001 Par)	Common Shares Not Yet Issued (000s)	Common Shares Not Yet Issued (\$.001 Par)	Additional Paid-in Capital	Retained Earnings
Balances July 1, 2009	12,232	\$ 12,232	8	\$ 8	\$ 1,544,268	\$ 632,923
Net loss for year	—	—	—	—	—	(196,085)
Balances June 30, 2010	12,232	\$ 12,232	8	\$ 8	\$ 1,544,268	\$ 436,838
Net loss for year	—	—	—	—	—	\$(86,262 )
Balances June 30, 2011	12,232	\$ 12,232	8	\$ 8	\$ 1,544,268	\$ 350,576

See accompanying notes to consolidated financial statements

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METWOOD, INC. AND SUBSIDIARY  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
<b>OPERATING ACTIVITIES</b>		
Net loss	\$(86,262 )	\$(196,085)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Depreciation, net of property disposals	109,151	(8,869 )
Provision for deferred income taxes	(86,815 )	(32,589 )
(Increase) decrease in operating assets:		
Accounts receivable	47,208	79,645
Inventory	83,013	(26,709 )
Prepaid expenses	15,496	2,110
Refundable income taxes	41,777	6,150
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(76,173 )	102,806
Net cash provided by (used for) operating activities	47,395	(73,541 )
<b>INVESTING ACTIVITIES</b>		
Property, plant and equipment:		
Purchases	(271,362)	(25,058 )
Property disposals	9,100	127,216
Net cash (used for) provided by investing activities	(262,262)	102,158
<b>FINANCING ACTIVITIES</b>		
Net repayment to related party	(38,085 )	175,027
Net borrowings from vehicle financing	29,888	—
Net cash (used for) provided by financing activities	(8,197 )	175,027
Net (decrease) increase in cash	(223,064)	203,644
Cash, beginning of the year	403,512	199,868
Cash, end of the year	\$ 180,448	\$ 403,512

See accompanying notes to consolidated financial statements

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METWOOD, INC.  
AND  
SUBSIDIARY  
NOTES TO  
CONSOLIDATED  
FINANCIAL  
STATEMENTS  
JUNE 30, 2011  
AND 2010

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 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. (a Nevada corporation) and its wholly owned subsidiary, Metwood Inc. (a Virginia corporation) 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.

**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 effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. At June 30, 2010, the significant estimates used by management include the valuation of its goodwill. Actual results could differ from those estimates.

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

Cash and Cash Equivalents - For purposes of the Consolidated Statements of Cash Flows, we consider liquid investments with an original maturity of three months or less to be cash equivalents. We maintain our cash in bank deposit accounts, which, at times, may exceed the federally insured limit of \$250,000. We have not experienced any losses in such accounts and believe we are not exposed to any significant credit risk on cash and cash equivalents.

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 June 30, 2011 and 2010, the allowance for doubtful accounts was \$5,000 and \$30,000, respectively. Specific customer receivables are considered past due when they are outstanding beyond their contractual terms and are charged off to the allowance for doubtful accounts when determined uncollectible. For the years ended June 30, 2011 and 2010, the bad debt expense was \$13,332 and \$36,638, respectively.

Inventory - Inventory, consisting primarily 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 stated at cost less accumulated depreciation and are depreciated over their estimated useful lives using the straight-line method. Recovery periods range from three to thirty-nine years. Upon retirement or sale, the cost and related accumulated depreciation are removed from the balance sheet, and the resulting gain or loss is reflected in other income and expense. Maintenance and repairs are charged to operations as incurred.

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 June 30, 2011 and 2010.

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.

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. The estimated fair value of the reporting unit for which goodwill was recorded, Providence Engineering, substantially exceeds carrying values.

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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 FASB ASC 740, 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. For  
the years ended  
June 30, 2011  
and 2010, the  
expenses relating  
to research and  
development  
were \$10,555  
and \$6,940,  
respectively

Advertising -

We expense  
advertising costs

as incurred. However, certain expenditures are treated as prepaid (such as trade show fees) if they are for goods or services which will not be received until after the end of the accounting period and are subsequently recognized as expenses in those periods in which the goods or services are received

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 years 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 January 2010, the FASB issued Accounting Standards Update (ASU) 2010-06, Improving Disclosures about Fair Value Measurements. This guidance requires new disclosures and clarifies certain existing disclosure requirements about fair value measurements. It requires a reporting entity to disclose significant transfers in and out of Level 1 and Level 2 fair value measurements, to describe the reasons for the transfers and to present separately information about purchases,

sales, issuances and settlements for fair value measurements using significant unobservable inputs. This Update is effective for interim and annual reporting periods beginning after December 15, 2009, with limited exceptions. The adoption did not have a material effect on our consolidated financial statements

In April 2010, the FASB issued authoritative guidance which clarifies the “Stock Compensation” guidance (ASC 718). This guidance clarifies the accounting for certain employee share-based payment awards. Awards with an exercise price denominated in the currency of a market in which a substantial portion of the entity’s equity securities trades would not be considered to contain a

condition that is not a market, performance or service condition.

Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. This accounting guidance is effective for accounting periods beginning on or after December 15, 2010, with earlier application permitted. The Company does not believe the impact of this guidance on the Company's consolidated financial statements will be material

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In July 2010, the FASB issued Accounting Standards Update (“ASU”) 2010-20 which amends “Receivables” (Topic 310). ASU 2010-20 is intended to provide additional information to assist financial statement users in assessing an entity’s risk exposures and evaluating the adequacy of its allowance for credit losses. The disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting

periods beginning on or after December 15, 2010. The amendments in ASU 2010-20 encourage, but do not require, comparative disclosures for earlier reporting periods that ended before initial adoption. However, an entity should provide comparative disclosures for those reporting periods ending after initial adoption. The adoption of ASU 2010-20 did not have a material impact on our consolidated financial statements

In December 2010, the FASB released ASU 2010-28 entitled “When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts.” The guidance released in this update amends

Accounting Standards Codification (“ASC”) 350-20, entitled “Intangibles – Goodwill and Other – Goodwill,” by addressing questions about entities that have reporting units with zero or negative carrying amounts. More specifically, the guidance addresses the inconsistencies when a reporting unit concludes that Step 1 of the test is passed (meaning no goodwill impairment is necessary) because the fair value of the goodwill is greater than zero, when in fact, factors indicating impairment of the goodwill may still exist. The amendments included in this ASU affect all entities that have recognized goodwill and have one or more reporting units

whose carrying amount, for purposes of performing Step 1 of the goodwill impairment test, is zero or negative. The amendments in the ASU are effective for public entities whose fiscal years (and interim periods within those years) begin after

December 15, 2010. Early adoption is not permitted for public entities. For non-public entities, the ASU are effective for fiscal years (and interim periods within those years) beginning after December 15, 2011.

Non-public entities may early adopt the amendments using the effective dates for public entities. We are evaluating the impact of this standard on our consolidated financial statements

In May 2011, the FASB, together with the International Accounting Standards Board ("IASB"), jointly issued ASU 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS."

This new guidance is the result of a highly contested proposal issued by the FASB and IASB in August 2009. The adoption of ASU 2011-04 gives fair value the same meaning between U.S. generally accepted accounting principles (U.S. GAAP) and International Financial Reporting Standards (IFRS), and improves consistency of disclosures relating to fair value. The



provisions of ASU 2011-04 will be effective for years beginning after December 15, 2011 for both public and nonpublic entities. Public entities will begin adoption in the first interim period beginning after December 15, 2011. Early adoption is not permitted, except for nonpublic entities that may want to adopt for the first interim period after December 15, 2011. Changes as a result of this new standard are to be applied prospectively. However, changes in valuation techniques shall be treated as changes in accounting estimates. We are in the process of evaluating the impact the amended guidance will have on our consolidated financial statements.

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In June 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-05 "Comprehensive Income (Topic 220): Presentation of Comprehensive Income." The Update is intended to increase the prominence of other comprehensive income in financial statements. In U.S. GAAP, the ASU will supersede some of the guidance in Topic 220 of the accounting Codification. The main provisions of this Update provide that an entity that reports items of other comprehensive income has the option to present comprehensive income in either one or two consecutive financial statements. A single statement must present the components of net income and total net income, the components of other comprehensive income and total other comprehensive income, and a total for comprehensive income. In a two-statement approach, an entity must present the components of net income and total net income in the first statement. That statement must be immediately followed by a financial statement that presents the components of other comprehensive income, a total for other comprehensive income, and a total for comprehensive income. The option in current GAAP that permits the presentation of other comprehensive income in the statement of changes in equity has been eliminated. The amendments in this Update should be applied retrospectively. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. For nonpublic entities, the amendments are effective for fiscal years ending after December 15, 2012, and interim and annual periods thereafter. Early adoption is permitted, because compliance with the amendments is already permitted. We are evaluating the impact this Update will have on our consolidated financial statements.

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying consolidated financial statements

**NOTE 3 - RELATED-PARTY TRANSACTIONS**

For the years ended June 30, 2011 and 2010, we had sales of \$112,062 and \$77,614, respectively, to our shareholder and CEO, Robert Callahan. As of June 30, 2011 and 2010, the related receivable was \$-0-

Also, from time to time, we contract with a construction company 50% owned by the our CEO which provides capital improvements and maintenance work on our buildings and grounds. Billings for such services during the years ended June 30, 2011 and 2010 were \$-0- and \$17,000, respectively

**NOTE 4 - COMMITMENT**

In prior years, we implemented a stock-based incentive compensation plan for our employees. Participating employees have an after-tax deduction withheld by the Company throughout the calendar year. As of December 31 of each year, the employee is considered vested in the plan, and we will match the participating employee's withheld amounts. We may also make a discretionary contribution based upon pay incentives or attendance. Periodically, we will purchase restricted stock on behalf of the employee in the amount of his withholdings, our match, and any discretionary contributions

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NOTE 5 -  
SHORT-TERM  
BORROWINGS  
AND CREDIT  
ARRANGEMENTS

We have available a \$600,000 revolving line of credit with a local bank. Interest is payable monthly on the outstanding balance at the prime lending rate. The note is secured by accounts receivable, equipment, general intangibles, inventory, and fixtures and furniture and is personally guaranteed by the Company's CEO. The balance outstanding as of June 30, 2011 and 2010 was \$-0-

NOTE  
6 -  
EQUITY

During the years ended June 30, 2011 and 2010, we did not issue any common shares for the benefit of employees included in our stock-based incentive compensation program.

NOTE 7 - SALE OF  
FIXED ASSETS  
AND RELATED  
OPERATING

LEASE

During the year ended June 30, 2006, we entered into a sales and leaseback transaction with a related party. We sold the various buildings at our corporate headquarters which house our manufacturing plants, executive offices and other buildings for \$600,000 in cash. We simultaneously entered into a commercial lease agreement with the related party whereby we are committed to lease back these same properties for \$6,600 per month over a ten-year term expiring December 31, 2014. Rent expense charged to operations for the years ended June 30, 2010 and 2009 was \$79,200, respectively

Future minimum lease payments under non-cancelable operating leases as of June 30, 2011 are as follows:

Year Ending June 30,

2012	\$ 79,200
2012	79,200

2014	79,200
2015 and beyond	39,600
	\$277,200

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INCOME  
TAXES

The  
components  
of income  
tax benefit  
consist of:

	2011	2010
Current:		
Federal	\$(113,429)	\$(74,486)
State	(7,303 )	—
	(120,732)	(74,486)
Deferred:		
Federal	67,636	(3,401 )
State	(1,049 )	(12,128)
	66,587	(15,529)
Total income tax benefit	\$(54,145 )	\$(90,015)

The reconciliation of the provision for income taxes at the U. S. federal statutory income tax rate of 39% to the Company's income taxes is as follows:

Loss before income taxes	\$(140,407)	\$(286,100)
Income tax benefit computed at the statutory rate	(54,758 )	(111,579)
State income tax benefit, net of federal tax effect	(5,095 )	(9,448 )
Non-deductible expenses	475	10,901
Effect of graduated income tax rates	5,233	16,750
Prior year adjustment	—	3,361
Total income tax benefit	\$(54,145 )	\$(90,015 )

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for federal and state income tax purposes. We have recorded a deferred tax asset at June 30, 2011, net of a valuation reserve, of \$37,060. Deferred tax liabilities at June 30, 2010 were \$49,755. The components of these amounts are as follows:

	2011	2010
Tax loss carryforward	\$(66,587)	\$—
Depreciation and miscellaneous	(17,528)	7,677
Amortization of goodwill	47,055	42,078
Net deferred tax (asset) liabilities	\$(37,060)	\$49,755

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SEGMENT  
INFORMATION

We operate in two principal business segments: (1) construction-related products and (2) engineering services.

Performance of each segment is evaluated based on profit or loss from operations before income taxes. These reportable segments are strategic business units that offer different products and services.

Summarized revenue and expense information by segment for the years ended June 30, 2011 and 2010 is as follows:

	2011	2010
Construction:		
Sales	\$2,048,516	\$2,034,292
Cost of sales	(1,161,821)	(1,208,269)
Intersegment expenses	(18,693 )	(45,563 )
Intersegment revenues	24,000	24,000
Corporate and other expenses	(952,532 )	(1,010,839)
Segment loss	\$(60,530 )	\$(206,379 )
Total assets	\$2,200,858	\$2,035,654
Capital expenditures	\$235,017	\$24,208
Depreciation	\$103,308	\$104,320
Interest expense	\$—	\$1,582

Engineering:

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Sales	\$164,241	\$175,650
Cost of sales	(165,805 )	(158,073 )
Intersegment revenues	18,693	45,563
Intersegment expenses	(24,000 )	(24,000 )
Corporate and other expenses	(18,861 )	(28,846 )
Segment income	\$(25,732 )	\$10,294

Total assets	\$534,620	\$370,549
Capital expenditures	\$36,345	\$850
Depreciation	\$13,575	\$12,275
Interest expense	\$—	\$—

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**ITEM 9A(T). CONTROLS AND PROCEDURES.**

**Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures**

Under the supervision and with the participation of our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions as appropriate to allow timely decisions regarding required disclosure. We concluded that our disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act were effective as of June 30, 2011 to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is recorded, processed, and summarized and reported within the time periods specified in SEC rules and forms.

**Management's Annual Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of our consolidated financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Management assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2011. In making this assessment, management used the criteria set forth in Internal Control Over Financial Reporting — Guidance for Smaller Public Companies issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Subject to the inherent limitations described in the following paragraph, our management has concluded that our internal controls over financial reporting was effective as December 31, 2010 at the reasonable assurance level.

**Inherent Limitations Over Internal Controls**

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations, including the possibility of human error and circumvention by collusion or overriding of controls. Accordingly, even an effective internal control system may not prevent or detect material misstatements on a timely basis. Also, projections of any evaluation of effectiveness to future periods are subject to

the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. Accordingly, our internal controls and procedures are designed to provide reasonable assurance of achieving their objectives.

**Changes in Internal Control over Financial Reporting**

We have made no change in our internal control over financial reporting during the fourth quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Attestation Report of the Registered Public Accounting Firm**

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this annual report on Form 10-K.

**Item 9B.  
Other  
Information**

None

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PART III

Item 10. Directors,  
Executive Officers and  
Corporate Governance

Identification of Directors and  
Executive Officers

The following table sets forth the names and the nature of all positions and offices held by all directors and executive officers of the Company for the year ending June 30, 2011 and to the date of the filing of this report and the periods during which each such director or executive officer has served in his respective positions:

**Name**      **Position and  
Background**

**Robert  
M. President and CEO  
Callahan**

Mr. Callahan has been involved in the building industry for over thirty years. He is well recognized in southwestern Virginia as an innovator in the uses of passive solar design and wood/metal products in custom home building. Along with Mr. Ronald Shiflett, he formed Metwood, Inc. in 1993 to bring light-gage construction, used in commercial building for years, into common use in residential construction

**Shawn  
A. Secretary/Treasurer/CFO,  
VP/General Manager  
Callahan**

Education:  
Accounting,

University of  
Phoenix  
B.S. Computer Science  
and Mathematics, Virginia  
Military Institute

Since starting with Metwood, Inc. in May 1996, Mr. Callahan has played a major role in the restructuring of the Company, increasing production, improving efficiency, and developing computer aids for the Company

Term  
of  
Office

The term of office of the current directors shall continue until new directors are elected or appointed

Family  
Relationships

Robert  
Callahan is  
the father of  
Shawn  
Callahan

Involvement  
in Certain  
Legal  
Proceedings

Except as indicated below and to the knowledge of management, during the past five years, no present or former director, person nominated to become a director, executive officer, promoter or control person of the Company:

(1) was a general partner or executive officer of any business by or against which any bankruptcy petition was filed, whether at the time of such filing

or two years prior thereto;

(2) was convicted in a criminal proceeding or named the subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);

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(3) was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities;

(4) was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any federal or state authority barring, suspending or otherwise limiting for more than sixty days the right of such person to engage in any



activity described above under this Item, or to be associated with persons engaged in any such activity; or

(5) was found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, nor has a judgment been reversed, suspended, or vacated

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors,

officers and persons who own more than 10% of the Company's common stock or other registered class of equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and greater than 10% shareholders are required to furnish us with copies of all Section 16(a) forms they file

Based solely on a review of the forms received covering purchase and sale transactions in the Company's common stock during the fiscal year ended June 30, 2011, the Company believes that each person who, at any time during

that period,  
was a director,  
executive  
officer, or  
beneficial  
owner of more  
than 10% of  
the  
Company's  
common stock  
complied with  
all Section  
16(a) filing  
requirements

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Table of ContentsItem 11. Executive  
Compensation

The following table sets forth in summary form the compensation received during each of the Company's last three fiscal years by our President and Chief Executive Officer, Robert M. Callahan:

## Summary Compensation Table

Fiscal Annual Year	Salary	Bonuses (1)	Other Compen- sation (2)	Restricted Stock Awards (3)	Restricted LTIP Options (4)	Restricted Stock Bonuses (4)
2011	\$90,217	\$ 7,200	-0-	-0-	-0-	-0-
2010	\$98,126	\$ 2,400	-0-	-0-	-0-	-0-
2009	\$81,832	\$ -0-	-0-	-0-	-0-	-0-

(1) The dollar value of bonuses (cash and non-cash) received

(2) During the periods covered by the table, the Company did not pay any other annual compensation not properly categorized as salary or bonus, including perquisites and other personal benefits, securities or property

(3) During the periods covered by the table, the Company did not make any award of restricted stock

(4) The Company currently has no stock option or restricted stock bonus plans

No member of our management has been granted any option or stock appreciation right; accordingly, no tables relating to such items have been included within this item

Compensation of  
Directors

There are no standard arrangements pursuant to which our directors are compensated for any services provided as director. No additional amounts are payable to our directors for committee participation or special assignments

There are no arrangements pursuant to which any of our directors was compensated during our last completed fiscal year or the previous two fiscal years for any services provided as director

Termination of Employment and Change of  
Control Arrangement

There are no compensatory plans or arrangements, including payments to be received from the Company, with respect to any person named in the Summary Compensation Table set out above which would in any way result in payments to any such person because of his resignation, retirement or other termination of such person's employment with the Company or its subsidiaries, or any change in control of the Company, or a change in the person's responsibilities following a change in control of the Company

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## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

## Security Ownership of Certain Beneficial Owners

The following table sets forth the shares held by those persons who owned more than five percent of Metwood's common stock as of September 13, 2011, based upon 12,231,797 shares outstanding:

## Greater Than 5% Owners

Title of Class	Name and Address of Beneficial Owner	No. of Shares	Percent of Class
Common	Robert Callahan 819 Naff Road Boones Mill, VA 24065	6,521,782 (1)	53.3%
Common	Ronald Shiflett 638 Patti Road Rocky Mount, VA 24151	2,101,282	17.2%

(1) Includes direct and indirect interests.

There are 6,148,750 common shares included in this amount that are owned in the names of family members of Mr. Callahan

## Security Ownership of Management

The following table sets forth the shares held by Metwood directors and officers as of September 13, 2011:

Management Ownership

Title of Class	Name and Address of Beneficial Owner	No. of Shares	Percent of Class
Common	Robert Callahan 819 Naff Road Boones Mill, VA 24065	6,521,782 (1)	53.3%

(1) Includes direct and indirect interests.  
 There are 6,148,750 common shares included in this amount that are owned in the names of family members of Mr. Callahan  
 Ownership of shares by directors and officers of Metwood as a group: 53.3%

Changes in Control

We know of no contractual arrangements which may at a subsequent date result in a change of control in the Company

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Item 13.  
Certain  
Relationships  
and Related  
Transactions,  
and Director  
Independence

Following are  
the transactions  
between  
Metwood and  
members of  
management,  
directors,  
officers, 5%  
shareholders,  
and promoters  
of Metwood:

We contract  
with a  
construction  
company 50%  
owned by our  
CEO which  
provides capital  
improvements  
and  
maintenance  
work on  
our buildings  
and grounds.

During the year  
ended June 30,  
2006, we  
entered into a  
sales and  
leaseback  
transaction  
with a related  
party. We sold  
the various  
buildings at our  
corporate



headquarters  
which house  
our  
manufacturing  
plants,  
executive  
offices and  
other buildings  
for \$600,000 in  
cash. We  
simultaneously  
entered into a  
commercial  
lease  
agreement with  
the related  
party whereby  
we are  
committed to  
lease back  
these same  
properties for  
\$6,600 per  
month over a  
ten-year term  
expiring  
December 31,  
2014. Rent  
expense  
charged to  
operations for  
the years ended  
June 30, 2011  
and 2010 was  
\$79,200,  
respectively

Continued  
education loans  
were advanced  
to our CFO  
during the year  
ended June 30,  
2010 in the  
amount of  
\$13,626. The  
outstanding  
balances at  
June 30, 2011  
and 2010 were  
\$-0- and

\$8,575,  
respectively.

Item  
14.  
Principal  
Accounting  
Fees  
and  
Services

The following  
table sets forth  
the aggregate  
fees billed or to  
be billed by  
Bongiovanni &  
Associates,  
CPAs for audit  
services  
rendered in  
connection  
with the  
consolidated  
financial  
statements and  
reports for the  
years ended  
June 30, 2011  
and 2010:

	2011	2010
Audit fees	\$15,500	\$15,000
Audit-related fees	—	—
Tax fees	—	—
All other fees	5,550	5,550
Total fees	\$21,050	\$20,550

Audit fees:  
Consist of fees  
billed for  
professional  
services  
rendered for the  
audits of our  
consolidated

financial statements and reviews of the interim consolidated financial statements included in quarterly reports and services that are normally provided by our auditors in connection with statutory and regulatory filings or engagements and attest services, except those not required by statute or regulation

Audit-related fees: Consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under "Audit fees." These services include accounting consultations in connection with the Sarbanes-Oxley Act of 2002

Tax fees:  
Consist of fees  
billed for tax  
compliance, tax  
advice and tax  
planning  
services

All other fees:  
Consist of fees  
billed for all  
other services  
other than those  
reported above

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PART IV

ITEM 15. EXHIBITS AND  
FINANCIAL  
STATEMENT  
SCHEDULES

NUMBER DESCRIPTION

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>Certifications Pursuant to Section 906 of</u>

the  
Sarbanes-Oxley  
Act of 2002 (18  
U.S.C. 1350)

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

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SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized

Date: February 21, 2012

/s/ Robert M. Callahan

Robert M. Callahan

President, CEO and Director

Date: February 21, 2012

/s/ Shawn A. Callahan

Shawn A. Callahan

Secretary/Treasurer/CFO and Director