

METWOOD INC
Form 10-Q
February 14, 2013

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

FORM 10-Q

QUARTERLY REPORT
PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the quarterly period ended
December 31, 2012

TRANSITION REPORT UNDER
SECTION 13 OR 15(d) OF THE
EXCHANGE ACT
For the transition period from
_____ to _____

Commission File Number 000-05391

METWOOD, INC.
(Exact name of small business issuer
as specified in its charter)

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

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

(540) 334-4294
(Registrant's telephone number,
including area code)

N/A

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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Non-accelerated filer

Accelerated filer Smaller reporting company

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

As of February 14, 2013, the number of shares outstanding of the registrant's common stock, \$0.001 par value (the only class of voting stock), was 15,221,647 shares.

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CONSOLIDATED BALANCE SHEETS

	(UNAUDITED) December 31, 2012	(AUDITED) June 30, 2012
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 79,879	\$58,646
Accounts receivable, net	486,678	231,081
Inventory	890,576	961,780
Other current assets	11,462	31,871
Total current assets	1,468,595	1,283,378
Property and Equipment		
Leasehold and land improvements	334,432	332,779
Furniture, fixtures and equipment	93,458	93,458
Computer hardware, software and peripherals	175,911	167,763
Machinery and shop equipment	461,586	459,087
Vehicles	390,153	381,373
	1,455,540	1,434,460
Less accumulated depreciation	(1,041,598)	(1,001,068)
Net property and equipment	413,942	433,392
Other Assets		
Deferred tax asset	198,708	224,317
Less valuation reserve	(99,354)	(112,159)
Total other assets	99,354	112,158
TOTAL ASSETS	\$ 1,981,891	\$1,828,928

See accompanying notes to consolidated financial statements.

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

Three	Six
Months	Months
Ended	Ended
December	December
31,	31,
2012	2011
2011	2011

REVENUES

Construction sales	\$613,690	\$556,441	\$1,242,572	\$1,061,773
Engineering sales	—	12,500	—	14,856
Gross sales	613,690	568,941	1,242,572	1,076,629
Cost of construction sales	379,419	343,251	763,225	632,691
Cost of engineering sales	—	3,266	—	18,343
Gross cost of sales	379,419	346,517	763,225	651,034
Gross profit	234,271	222,424	479,347	425,595

ADMINISTRATIVE EXPENSES

Advertising	5,703	8,588	12,289	21,115
Depreciation	8,323	9,776	16,242	19,608
Insurance	5,322	2,932	11,540	8,704
Payroll expenses	142,990	120,921	269,243	245,546
Professional fees	16,918	5,275	36,397	30,370
Rent	20,400	20,000	40,800	39,800
Vehicle	6,512	10,960	13,849	22,562
Other	21,901	24,968	48,403	54,726
Total administrative expenses	228,069	203,420	448,763	442,431
Operating income (loss)	6,202	19,004	30,584	(16,836)
Other income	61	4,046	3,154	9,564
Income (loss) before income taxes	6,263	23,050	33,738	(7,272)
Income tax expense (benefit)	7,010	1,780	12,804	(8,804)
Net income (loss) from operations	\$(747)	\$21,270	\$20,934	\$1,532

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Basic and diluted deficit per share	\$ **	\$ **	\$ **	\$ **
Weighted average number of shares	12,791,797	12,231,797	12,791,797	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)

Six Months
Ended
December
31,
2012 2011

OPERATIONS

Net income	\$20,934	\$1,532
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	40,530	46,598
Provision for (reversal of) deferred income taxes	12,804	(8,804)
(Increase) decrease in operating assets:		
Accounts receivable	(236,697)	11,751
Inventory	71,204	(98,979)
Recoverable income taxes	—	42,606
Other operating assets	1,510	5,470
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	116,740	(25,203)
Net cash provided by (used for) operating activities	27,025	(25,029)

INVESTING

Issuance of common stock	28,000	—
Fixed asset sales (expenditures)	(21,081)	15,782
Net cash provided by investing activities	6,919	15,782

FINANCING

Decrease in note payable	—	(29,888)
Decrease in borrowings from related party	(12,711)	(12,054)
Net cash used for financing activities	(12,711)	(41,942)

Net increase (decrease) in cash	21,233	(51,189)
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Cash, beginning of the year	58,646	180,448
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Cash, end of the period	\$79,879	\$129,259
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See accompanying notes to consolidated financial statements.

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**METWOOD, INC.
AND
SUBSIDIARY
NOTES TO
CONSOLIDATED
FINANCIAL
STATEMENTS
DECEMBER 31,
2012
(UNAUDITED)**

NOTE 1 -
ORGANIZATION
AND
OPERATIONS

Metwood, Inc. ("Metwood") was organized under the laws of the Commonwealth of Virginia on April 7, 1993. On June 30, 2000, Metwood entered into an Agreement and Plan of Reorganization in which the majority of its outstanding common stock was acquired by a publicly held Nevada shell corporation. The acquisition was a tax-free exchange for federal and state income tax purposes and was accounted for as a reverse merger in accordance with Accounting Principles Board ("APB") Opinion

No. 16. Upon acquisition, the name of the shell corporation was changed to Metwood, Inc., and Metwood, Inc., the Virginia corporation, became a wholly owned subsidiary of Metwood, Inc., the Nevada corporation. The publicly traded shell corporation had not had a material operating history for several years prior to the merger.

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

development efforts will soon enable us to meet code requirements for our products and will eliminate the need for individual engineering seals.

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

NOTE 2 -
SUMMARY OF
SIGNIFICANT
ACCOUNTING
PRACTICES

Basis of Presentation

- The financial statements include the accounts of Metwood, Inc. and its wholly owned subsidiary, Providence Engineering, PC, prepared in accordance with accounting principles generally accepted in the United States of America and pursuant to the rules and regulations of the Securities and Exchange

Commission. All significant intercompany balances and transactions have been eliminated.

In the opinion of management, the unaudited condensed financial statements contain all the adjustments necessary in order to make the financial statements not misleading. The results for the period ended December 31, 2012 are not necessarily indicative of the results to be expected for the entire fiscal year ending June 30, 2013.

Fair Value of Financial

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

Management's Use of Estimates - The preparation of 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 December 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 six months ended December 31, 2012, the amount of bad debts charged off was \$452 and \$212, respectively. For the three and six months ended December 31, 2011, bad debts charged off were \$0- and \$1,697, respectively.

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

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

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

December 31, 2012 and 2011 were \$-0- and \$-0-, respectively.

For the six months ended December 31, 2012 and 2011, research and development costs were \$143 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.

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Recent Accounting

Pronouncements - In

July 2012, the FASB issued ASU No.

2012-02, *Intangibles –*

Goodwill and Other

(Topic 350) – Testing

Indefinite-Lived

Intangible Assets for

Impairment (“ASU

2012-02”). This

update amends

existing guidance by

giving an entity

testing an

indefinite-lived

intangible asset for

impairment the

option to first assess

qualitative factors to

determine whether it

is more likely than

not that the fair value

of an indefinite-lived

intangible asset is

less than its carrying

amount. The

more-likely-than-not

threshold is defined

as having a

likelihood of more

than 50 percent. If an

entity determines that

it is more likely than

not that the fair value

of an indefinite-lived

intangible asset is

less than its carrying

amount, then the

performance of the

quantitative

impairment test, as

currently prescribed

by ASC Topic 350,

is required. ASU

2012-02 is effective

for annual and

interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. The company does not currently expect that the adoption of this update will have a significant effect on its financial statements and related disclosures.

In December 2011, the FASB issued ASU No. 2011-11, *Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities* (“ASU 2011-11”). This update requires the following new disclosures related to recognized financial instruments (and derivatives) subject to master netting arrangements or similar agreements: (i) the gross amounts of recognized financial assets and liabilities, (ii) the amounts offset under current GAAP, (iii) the net amounts presented in the balance sheet, (iv) the amounts subject to an enforceable master netting arrangement or similar agreement that were not included in (ii), and (v) the net amount representing the

difference between (iii) and (iv). The update also requires qualitative disclosures related to counterparties, setoff rights, and terms of enforceable master netting arrangements and related agreements depending on their effect or potential effect on the entity's financial position. The new disclosures will enable financial statement users to compare balance sheets prepared under GAAP and International Financial Reporting Standards ("IFRS"), which are subject to different offsetting models. ASU 2011-11 is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. The company does not currently expect that the adoption of this update in the first quarter of 2013 will have a significant effect on its financial statements and related disclosures.

In September 2011, the FASB issued ASU 2011-08 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 financial statements.

NOTE 3 - EARNINGS PER SHARE

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

	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
	2012	2011	2012	2011
Net income (loss)	\$ (747)	\$ 21,270	\$ 20,934	\$ 1,532
Earnings per share				
- basic	\$ **	\$ **	\$ **	\$ **
and fully diluted				
Weighted average number of shares	12,791,797	12,231,797	12,791,797	12,231,797

**Less than \$0.01

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SUPPLEMENTAL
CASH FLOW
INFORMATION

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

	For the Three Months Ended December 31, 2012		For the Six Months Ended December 31, 2011	
Cash paid for:				
Income taxes	\$ -	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -	\$ 110

NOTE 5 -
RELATED-PARTY
TRANSACTIONS

From time to time, we contract with a company related through common ownership for building and grounds-related maintenance services and equipment rental. Fees paid to the related company for the three and six months ended December 31, 2012 and 2011 were \$10,080 and \$-0-,

respectively. For the three months ended December 31, 2012 and 2011, we had sales of \$8,386 and \$3,234, respectively, to the company referred to above.

For the six months ended December 31, 2012 and 2011, we had sales of \$16,259 and \$12,054 to the company. As of December 31, 2012 and 2012, the related receivable was \$-0- and \$-0-, respectively. See also Note 7.

NOTE 6 - SEGMENT INFORMATION

Until June 30, 2012, we operated in two principal business segments: (1) construction-related products and (2) engineering services. Performance of each segment was evaluated based on profit or loss from operations before income taxes. These reportable segments are strategic business units that offer different products and services. The company 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 six months ended December 31, 2012 and 2011, as excerpted from internal management reports, is as follows:

	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
	2012	2011	2012	2011
Construction:				
Sales	\$613,690	\$556,441	\$1,242,572	\$1,061,773
Intersegment expenses	—	—	—	(200)
Cost of sales	(379,419)	(343,251)	(763,225)	(632,691)
Other expenses	(235,018)	(197,334)	(458,413)	(424,438)
Segment income (loss)	\$(747)	\$15,856	\$20,934	\$4,444

Engineering:

Sales	\$—	\$12,500	\$—	\$14,856
Intersegment revenues	—	—	—	200
Cost of sales	—	3,266	—	(18,343)
Other income (expenses)	—	(10,352)	—	375
Segment income (loss)	\$—	\$5,414	\$—	\$(2,912)

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 December 31, 2012 and 2011, we recognized rental expense for these spaces of \$20,400 and \$20,000, respectively. For the six months ended December 31, 2012 and 2011, we recognized rental expense of \$40,800 and \$39,800,

respectively.

NOTE 9 - MERGER
AGREEMENT,
PLANNED
REORGANIZATION
AND STOCK
OFFERING

Management has issued additional shares to Cahas Mountain Properties LLC the majority shareholder of Metwood stock, form a voting trust with an Investment Firm. Cahas has been in negotiations with an investment firm that has the potential to help the company meet the qualifications to up-list to NASDAQ or another major stock exchange. The Voting Trust will look at potential deals for potential mergers, acquisitions, and other business activities.

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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.

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 ("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
- Aegis - Metwood is a distributor of Aegis Metal Framing's cold-formed steel trusses
- Trimmable square columns
- Joist reinforcers
- Engineering, design and custom building services

Metwood is
performing
ongoing
product
research and
development.
Through a
strategic
partnership
with an outside
engineering
firm, Metwood
is able to offer
its customers
civil
engineering
capabilities
which include
rezoning and
special use
submissions;
erosion and

sediment control and storm-water management design; residential, commercial, and religious facility site development design; and utility design, including water, sewer and onsite treatment systems.

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

The company has designed numerous foundations for a variety of

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

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

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

Distribution Methods of Products and Services

Our sales are primarily wholesale, directly to lumberyards, home improvement stores, hardware stores, and plumbing and electrical suppliers in Virginia and North Carolina.

Metwood relies primarily on its own sales force to generate sales; additionally, however, the Company has distributors in Virginia, New York, Oklahoma, Arizona and Colorado and also utilizes the salespeople of wholesale yards stocking the Company's products as an additional sales force. We are an authorized vendor for Lowe's, Home Depot, 84 Lumber, Stock Building Supply, ProBuild, and many more. We have several stocking dealers of our square columns and reinforcing products. We will sell directly to contractors in areas where we do not have a dealer, but with our national dealer relationships, we typically have a dealer to use.

Metwood intends to continue expanding the wholesale marketing of its unique products to retailers, to increase dealer sales, and to license the Company's technology and products to increase its distribution outside of Virginia, North Carolina and the South.

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Status of
Publicly
Announced
New Products
or Services

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

Seasonality of
Market

Our sales are subject to seasonal impacts, as our products are used in residential and commercial construction projects which tend to be at peak levels in Virginia and North Carolina between the months of March and October.

Accordingly, our sales are greater in our fourth and first fiscal quarters.

We build an inventory of our products

throughout the winter and spring to support our sales season.

Due to the seasonality of our local market, we are continuing our efforts to expand into markets that are not so seasonally impacted. We have shipped projects to Florida, Georgia, South Carolina, Arizona, Washington, and more.

These markets have some seasonality, but increased exposure in these markets will help maintain stronger sales year round.

Competition

Nationally, there are over one hundred manufacturers of the types of products produced by the Company. However, the majority of these manufacturers are using wood-only

products or products without metal reinforcement. Metwood has identified only one other manufacturer in the United States that manufactures a cold-formed steel beam. However, we have often found that our products are the only ones that will work within many customers' design specs.

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

All of the raw materials we use are readily available on the market from numerous suppliers. The light-gage metal used by the company is supplied primarily by Telling Industries, Nuconsteel, New Millenium, Allied Tube &

Conduit, and
Vulcraft. Our
main source of
lumber is
BlueLinx.
Re-Steel,
Nucor and
Gerdau
Amersteel
provide the
majority of our
rebar. Because
of the number
of suppliers
available to us,
our decisions
in purchasing
materials are
dictated
primarily by
price and
secondarily by
availability.
We do not
anticipate a
lack of supply
to affect our
production;
however, a
shortage might
cause us to
pass on higher
materials
prices to our
buyers.

Dependence
on
One
or a
Few
Major
Customers

For the
three and
six months
ended
December
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		Six Months Ended	
	December 31,		December 31,	
	2012	2011	2012	2011
84 Lumber	23%	11%	15%	9%
House Vestors, LLC	—	7%	—	—
Probuild Co., LLC	8%	—	6%	—
Rycon Construction	7%	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. Currently, we are seeking International Code Council ("ICC") code approval on our TUFFBEAMS. Once that approval is obtained, our products can be used in all fifty states and will eliminate the need for an engineer's seal on individual products. To date, the company's 2x10 floor joist reinforcer has received both Bureau Officials Code Association approval (2001) and ICC approval (2004).

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

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

Costs and Effects of Compliance with Environmental Laws

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

Number of Total Employees and Number of Full-Time Employees

The Company had fourteen employees at December 31, 2012, all of whom were full time.

Results of Operations

Net Income

We had a net loss of \$747 for the three months ended December 31, 2012, versus net income of \$21,270 for the three months ended December 31, 2011. Construction sales increased 8% comparing 2012 to 2011. As a percentage of construction sales, cost of goods sold was 62% for the three months ended December 31, 2012 and 2011; for the six months ended December 31, 2012 and 2011, it was 61% and 60%, respectively. Administrative expenses increased 12% comparing the three months ended December 31, 2012 to the same period in 2011. This increase was primarily attributable to increased payroll expenses and professional fees. Administrative expenses increased only 1% comparing the six months ended December 31, 2012 to the same period in 2011. Decreases in advertising and vehicle expense were mostly offset by increases in payroll expenses and professional fees for that period.

For the six months ended December 31, 2012 and 2011, we went from net income of \$1,532 to net income of \$20,934. Gross sales increased 17% between the two periods, while cost of sales increased 21% comparing 2012 and 2011. Administrative expenses increased 1% for the six months ended December 31, 2012 compared to 2011. The net result was a bottom line improvement of 127% comparing the two periods.

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Sales

Revenues were \$613,690 for the three months ended December 31, 2012 compared to \$568,941 for the same period in 2011, an increase of 8%. For the six-month periods ended December 31, 2012 and 2011, sales were \$1,242,572 and \$1,076,629, respectively, an increase of 15%. 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 \$228,069 for the three months ended December 31, 2012, versus \$203,420 for the three months ended December 31, 2011, an increase of \$24,649. For the six months ended December 31, 2012, administrative expenses were \$448,763 compared to \$442,431 for the six months ended December 31, 2011. The biggest increase occurred in payroll expenses and professional fees.

Liquidity and Capital Reserves

On December 31, 2012, we had cash of \$79,879 and working capital of \$1,187,803. Net cash from operating activities was \$27,025 for the six months ended December 31, 2012 compared to net cash used for operating activities of \$25,029 for the six months ended December 31, 2011.

Net cash provided by investing activities was \$6,919 for the six months ended December 31, 2012, compared to cash provided of \$15,782 during the same period in the prior year. Cash flows provided from investing activities for the six months ended December 31, 2012 was from the issuance of common stock; cash flows used for investing activities were for computers and peripherals (\$5,522), vehicles (\$8,780), shop equipment (\$2,500), leasehold improvements (\$1,654) and software (\$2,625).

Cash used in financing activities was \$12,711 for the six months ended December 31, 2012 compared to cash used of \$41,942 for the period ended December 31, 2011. The net cash used in 2012 was 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.

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PART II - OTHER INFORMATION

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

See index to exhibits.

(b) Reports on Form 8-K

There were no reports on Form 8-K filed during the quarter ended December 31, 2012.

INDEX TO EXHIBITS

NUMBER	DESCRIPTION OF EXHIBIT
3(i)*	Articles of Incorporation
3(ii)**	By-Laws
<u>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

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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.

February 14, 2013 **By: /s/Robert M. Callahan**

Robert M. Callahan
Chief Executive Officer

February 14, 2013 **By: /s/Shawn A. Callahan**

Shawn A. Callahan
Chief Financial Officer