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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  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.

Large accelerated filer  Accelerated filer  Non-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 January 24, 2012, the number of shares outstanding of the registrant's common stock, \$0.001 par value (the only class of voting stock), was 12,231,797 shares.

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**METWOOD, INC. AND SUBSIDIARY**

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(table of contents)**METWOOD, INC. AND SUBSIDIARY****CONSOLIDATED BALANCE SHEETS**

|   | (UNAUDITED)<br>December 31,<br>2011 | (AUDITED)<br>June 30,<br>2011 |
|---|-------------------------------------|-------------------------------|
| <b>ASSETS</b>                               |                                     |                               |
| Current Assets                              |                                     |                               |
| Cash and cash equivalents                   | \$ 129,259                          | \$ 180,448                    |
| Accounts receivable, net                    | 253,069                             | 240,581                       |
| Inventory                                   | 954,844                             | 855,864                       |
| Recoverable income taxes -                  | —                                   | 42,606                        |
| Other current assets                        | 18,163                              | 47,872                        |
| Total current assets                        | 1,355,335                           | 1,367,371                     |
| Property and Equipment                      |                                     |                               |
| Leasehold and land improvements             | 328,644                             | 327,449                       |
| Furniture, fixtures and equipment           | 97,514                              | 98,458                        |
| Computer hardware, software and peripherals | 196,578                             | 159,261                       |
| Machinery and shop equipment                | 457,688                             | 457,688                       |
| Vehicles                                    | 394,183                             | 420,533                       |
|   | 1,447,607                           | 1,463,389                     |
| Less accumulated depreciation               | -981,691                            | -935,093                      |
| Net property and equipment                  | 465,916                             | 528,296                       |
| Other Assets                                |                                     |                               |
| Deferred tax asset                          | 51,787                              | 157,792                       |
| Less valuation reserve                      | -5,923                              | -120,732                      |
| Total other assets                          | 45,864                              | 37,060                        |
| Goodwill                                    | 253,088                             | 253,088                       |
| <b>TOTAL ASSETS</b>                         | <b>2,120,203</b>                    | <b>2,185,815</b>              |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b> |                                     |                               |
| Current Liabilities                         |                                     |                               |
| Accounts payable and accrued expenses       | \$ 86,699                           | \$ 111,901                    |
| Note payable                                | 0                                   | 5,359                         |

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|   |                  |                  |
|---|------------------|------------------|
| Total current liabilities   | 86,699           | 117,260          |
| Long-term Liabilities   |                  |                  |
| Note payable  | —                | 24,529           |
| Due to related company  | 124,888          | 136,942          |
| Total long-term liabilities   | 124,888          | 161,471          |
| Total liabilities   | 211,587          | 278,731          |
| Stockholders' Equity  |                  |                  |
| Common stock, \$.001 par, 100,000,000 shares authorized 12,231,797 shares issued and outstanding at December 31, 2011 | 12,232           | 12,232           |
| Common stock not yet issued (\$.001 par, 8,150 shares)  | 8                | 8                |
| Additional paid-in capital  | 1,544,268        | 1,544,268        |
| Retained earnings   | 352,108          | 350,576          |
| Total stockholders' equity  | 1,908,616        | 1,907,084        |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>   | <b>2,120,203</b> | <b>2,185,815</b> |

See accompanying notes to consolidated financial statements.

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(table of contents)**METWOOD, INC. AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF OPERATIONS****(UNAUDITED)**

|                                   | Three Months Ended<br>December 31, |           | Six Months Ended<br>December 31, |             |
|-----------------------------------|------------------------------------|-----------|----------------------------------|-------------|
|                                   | 2011                               | 2010      | 2011                             | 2010        |
| <b>REVENUES</b>                   |                                    |           |                                  |             |
| Construction sales                | \$556,441                          | \$522,927 | \$1,061,773                      | \$1,203,718 |
| Engineering sales                 | 12,500                             | 32,725    | 14,856                           | 90,354      |
| Gross sales                       | 568,941                            | 555,652   | 1,076,629                        | 1,294,072   |
| Cost of construction sales        | 343,251                            | 283,757   | 632,691                          | 731,553     |
| Cost of engineering sales         | 3,266                              | 42,726    | 18,343                           | 81,737      |
| Gross cost of sales               | 346,517                            | 326,483   | 651,034                          | 813,290     |
| Gross profit                      | 222,424                            | 229,169   | 425,595                          | 480,782     |
| <b>ADMINISTRATIVE EXPENSES</b>    |                                    |           |                                  |             |
| Advertising                       | 8,588                              | 35,280    | 21,115                           | 49,997      |
| Depreciation                      | 9,776                              | 9,185     | 19,608                           | 19,435      |
| Insurance                         | 2,932                              | 5,118     | 8,704                            | 9,593       |
| Payroll expenses                  | 120,921                            | 144,293   | 245,546                          | 295,920     |
| Professional fees                 | 5,275                              | 6,545     | 30,370                           | 31,318      |
| Rent                              | 20,000                             | 19,800    | 39,800                           | 39,600      |
| Repairs and maintenance           | 2,336                              | 14,484    | 4,242                            | 22,520      |
| Travel                            | 2,322                              | 5,482     | 4,871                            | 10,707      |
| Vehicle                           | 10,960                             | 12,981    | 22,562                           | 23,113      |
| Other                             | 20,301                             | 44,527    | 45,613                           | 86,983      |
| Total administrative expenses     | 203,420                            | 297,695   | 442,431                          | 589,186     |
| Operating income (loss)           | 19,004                             | -68,526   | -16,836                          | -108,404    |
| Other income                      | 4,046                              | 3,914     | 9,564                            | 7,353       |
| Loss before income taxes          | 23,050                             | -64,612   | -7,272                           | -101,051    |
| Income tax expense (benefit)      | 1,780                              | -42,338   | -8,804                           | -62,209     |
| Net income (loss) from operations | 21,270                             | -22,274   | 1,532                            | -38,842     |

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|                                     |            |            |            |            |
|-------------------------------------|------------|------------|------------|------------|
| Basic and diluted deficit per share | **         | **         | **         | **         |
| Weighted average number of shares   | 12,231,797 | 12,231,797 | 12,231,797 | 12,231,797 |

\*\* Less than \$0.01

See accompanying notes to consolidated financial statements.

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(table of contents)**METWOOD, INC. AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)**

|   | Six Months Ended<br>December 31, |          |
|---|----------------------------------|----------|
|   | 2011                             | 2010     |
| <b>OPERATIONS</b>   |                                  |          |
| Net income (loss)   |                                  |          |
| Adjustments to reconcile net income to net cash from operating activities                 | \$ 1,532                         | -38,842  |
| Depreciation  |                                  |          |
| Provision for (reversal of) deferred income taxes(increase) decrease in operating assets: | 46,598                           | 44,683   |
| Accounts receivable   | -8,804                           | -8,325   |
| Inventory   | 11,751                           | 135,449  |
| Recoverable income taxes  | -98,979                          | -64,325  |
| Other operating assets  | 42,606                           | -53,884  |
| Increase (decrease) in operating liabilities:   |                                  |          |
| Accounts payable and accrued expenses   | -25,203                          | -133,147 |
| Net cash used for operating activities  | -25,029                          | -118,942 |
| <b>INVESTING</b>  |                                  |          |
| Capital expenditures  | 15,782                           | -90,206  |
| Net cash provided by (used for) investing activities                                      | 15,782                           | -90,206  |
| <b>FINANCING</b>  |                                  |          |
| Decrease in note payable  | -29,888                          | —        |
| Decrease in borrowings from related party   | -12,054                          | -27,725  |
| Net cash used for financing activities  | -41,942                          | -27,725  |
| Net decrease in cash  | -51,189                          | -236,873 |
| Cash, beginning of the year   | 180,448                          | 403,512  |
| Cash, end of the period   | 129,259                          | 166,639  |

See accompanying notes to consolidated financial statements.



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**METWOOD, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES**

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

In the opinion of management, the unaudited condensed consolidated financial statements contain all the adjustments necessary in order to make the financial statements not misleading. The results for the period ended December 31, 2011 are not necessarily indicative of the results to be expected for the entire fiscal year ending June 30, 2012.

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

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

Accounts Receivable - We grant credit in the form of unsecured accounts receivable to our customers based on an evaluation of their financial condition. We perform ongoing credit evaluations of our customers. The estimate of the allowance for doubtful accounts, which is charged off to bad debt expense, is based on management's assessment of current economic conditions and historical collection experience with each customer. At December 31, 2011, 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, 2011, the amount of bad debts charged off was \$0- and \$1,697, respectively. For the three and six months ended December 31, 2010,

bad debts charged off was \$1,587 and \$35,744, respectively.

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

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

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

Impairment of Long-lived Assets - We evaluate our long-lived assets for indications of possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparing the carrying amounts to the future net undiscounted cash flows which the assets are expected to generate. Should an impairment exist, the impairment would be measured by the amount by which the carrying amount of the assets exceeds the projected discounted future cash flows arising from the asset. There have been no such impairments of long-lived assets through December 31, 2011.

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

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

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

Research and Development - We perform research and development on our metal/wood products, new product lines, and new patents. Costs, if any, are expensed as they are incurred. Research and development costs (refunded amounts) for the three months ended December 31, 2011 and 2010 were (\$3,513) and \$3,914, respectively. For the six months ended December 31, 2011 and 2010, research and development costs were \$-0- and \$5,700, 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 netincome for the years presented in the computation of diluted earnings per share.

Recent Accounting Pronouncements - In May 2011, the Financial Accounting Standards Board

("FASB") issued an Accounting Standards Update ("ASU") No. 2011-04 amending Topic 820 that

substantially converged the requirements for fair value measurement and disclosure between the FASB and the International Accounting Standards Board ("IASB"). This ASU is largely consistent with existing fair value measurement principles under U.S. GAAP. This ASU is effective for the Company in its quarter beginning January 1,

2012 and is not expected to have a material impact on the Company's financial statements.

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

In September 2011, the FASB issued 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 consolidated financial statements.

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NOTE 3 - EARNINGS PER SHARE

Net income (loss) and earnings per share for the three and six months ended December 31, 2011 and 2010 areas follows:

|  | <u>For the Three Months Ended</u> |            | <u>For the Six Months Ended</u> |            |
|--|-----------------------------------|------------|---------------------------------|------------|
|  | December 31,                      |            | December 31,                    |            |
|  | 2011                              | 2010       | 2011                            | 2010       |
| Net income (loss)                            | \$21,270                          | -22,274    | \$1,532                         | -38,842    |
| Earnings per share - basic and fully diluted | **                                | **         | **                              | **         |
| Weighted average number of shares            | 12,231,797                        | 12,231,797 | 12,231,797                      | 12,231,797 |

\*\*Less than \$0.01

NOTE 4 - SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental disclosures of cash flow information for the three and six months ended December 31, 2011 and 2010 are summarized as follows:

|                | For the  | For the  | For the  | For the  |
|----------------|----------|----------|----------|----------|
|                | Three    | Six      | Three    | Six      |
|                | Months   | Months   | Months   | Months   |
|                | Ended    | Ended    | Ended    | Ended    |
|                | December | December | December | December |
|                | 31,      | 31,      | 31,      | 31,      |
|                | 2011     | 2010     | 2011     | 2010     |
| 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. There were no fees paid to the related company for the three and six months ended December 31, 2011 and 2010. For the three months ended December 31, 2011 and 2010, we had sales of \$3,234 and \$90,482, respectively, to the company referred to above. For the six months ended December 31, 2011 and 2010, we had sales of \$12,054 and \$98,922 to the company. As of December 31, 2011 and 2010, the related receivable was \$-0- and \$-0-, respectively. See also Note 7.

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## NOTE 6 - 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 three and six months ended December 31, 2011 and 2010, as excerpted from internal management reports, is as follows:

|                         | For the Three Months<br>Ended<br>December 31, |            | For the Six Months<br>Ended<br>December 31, |             |
|-------------------------|---|------------|---|-------------|
|                         | 2011  | 2010       | 2011  | 2010        |
| Construction:           |   |            |   |             |
| Sales                   | \$556,441                                     | \$522,927  | \$1,061,773                                 | \$1,203,718 |
| Intersegment expenses   | —   | -5,165     | -200  | -10,670     |
| Cost of sales           | -343,251                                      | -283,757   | -632,691                                    | -731,553    |
| Other expenses          | -197,334                                      | -251,124   | -424,438                                    | -501,888    |
| Segment income (loss)   | \$15,856                                      | \$(17,119) | \$4,444                                     | \$(40,393)  |
| Engineering:            |   |            |   |             |
| Sales                   | \$12,500                                      | \$32,725   | \$14,856                                    | \$90,354    |
| Intersegment revenues   | —   | 5,165      | 200   | 10,670      |
| Cost of sales           | 3,266   | -42,726    | -18,343                                     | -81,737     |
| Other income (expenses) | -10,352                                       | -6,919     | 375   | -24,336     |
| Segment income (loss)   | \$5,414                                       | \$(11,755) | \$(2,912)                                   | \$(5,049)   |

## 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, 2011 and 2010, we recognized rental expense for these spaces of \$20,000 and \$19,800, respectively. For the six months ended December 31, 2011 and 2010, we recognized rental expense of \$39,800 and \$39,600,

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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
  - Accel-E - Metwood is a distributor of these steel thermal-efficient panels
  - Trimmable square columns
  - Joist reinforcers
  - Engineering, design and custom building services

Providence

Providence is extensively involved in ongoing product research and development for Metwood. Additionally, Providence 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, a typical foundations for residential structures, tower foundations, and sign foundations for a variety of uses

and applications.

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.

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## ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS Con't

### Distribution Methods of Products and Services

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

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

### Status of Publicly Announced New Products or Services

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

### Seasonality of Market

Our sales are subject to seasonal impacts, as our products are used in residential and commercial construction projects which tend to be at peak levels in Virginia and North Carolina between the months of March and October. Accordingly, our sales are greater in our fourth and first fiscal quarters. We build an inventory of our products throughout the winter and spring to support our sales season. Due to the seasonality of our local market, we are continuing our efforts to expand into markets that are not so seasonally impacted. We have shipped projects to Florida, Georgia, South Carolina, Arizona, Washington, and more. These markets have some seasonality, but increased exposure in these markets 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 cold-formed steel used by the Company is supplied primarily by Nuconsteel, Clark Western, and Vulcraft. Our main source of lumber is BlueLinx. Nucor Bar Mill provides the majority of our rebar. Because of the number of suppliers available to us, our decisions in purchasing materials are dictated primarily by price and secondarily by availability. We do not anticipate a lack of supply to affect our production; however, a shortage might cause us to pass on higher materials prices to our customers.

### Dependence on One or a Few Major Customers

For the three and six months ended December 31, 2011 and 2010, 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:

|           | For the<br>Three<br>Months<br>Ended<br>December<br>31,<br>2011 | For the<br>Six<br>Months<br>Ended<br>December<br>31,<br>2010 | For the<br>Three<br>Months<br>Ended<br>December<br>31,<br>2011 | For the<br>Six<br>Months<br>Ended<br>December<br>31,<br>2010 |
|-----------|--|--|--|--|
| 84 Lumber | 11%  | 6%   | 9%   | 6%   |

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|                        |    |    |   |    |
|------------------------|----|----|---|----|
| Craftman Construction  | -  | -  | - | 6% |
| Davenport Development  | -  | -  | - | 7% |
| House Vestors, LLC     | 7% |    |   |    |
| Probuild Co., LLC      | -  | 6% | - | -  |
| Valley Building Supply | 6% | -  | - | -  |

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ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS Con't

Patents

The Company has nine U.S. Patents:

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

joist patch kit.

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

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

continuation-in-part of U.S. Patent No. 5,625,997.

U.S. Patent No. 5,921,053, "Internally Reinforced Girder with Pierceable Nonmetal Components," a girder that includes a pair of c-shaped members secured together so as to form a hollow box, which

permits the girder to be secured within a building structure with conventional fasteners such as nails,

screws and staples.

U.S. Patent Nos. D472,791S, D472,792S, D472,793S, and D477,210S, all modifications of

Metwood's Reinforcing Bracket, which will be used for repairs of wood I-joists.

Need for Government Approval of Principal Products

Our products must either be sold with an engineer's seal or applicable building code approval. The

Company's chief engineer has obtained professional licensure in several states, which permits products not building code approved to be sold and used with his seal. We expect his licensure in a growing number of states to greatly assist in the uniform acceptability of our products as we expand to new markets. Currently, we are seeking International Code Council ("ICC") code approval on our joist reinforcers and beams. Once that approval is obtained, our products can be used in all fifty states and will eliminate the need for an engineer's seal on individual products. To date, the Company's 2x10 floor joist reinforcer has received both Bureau Officials Code Association approval (2001) and ICC approval (2004).

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

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

#### Costs and Effects of Compliance with Environmental Laws

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

#### Number of Total Employees and Number of Full-Time Employees

The Company had eighteen employees at December 31, 2011, all of whom were full time.

### **Results of Operations**

#### Net Income

We had net income of \$21,270 for the three months ended December 31, 2011, versus a net loss of \$22,274 for the three months ended December 31, 2010. Construction sales increased 6% comparing 2011 to 2010; as a percentage of construction sales, cost of goods sold was 62% and 54% comparing 2011 to 2010. Engineering sales decreased 62%

comparing 2011 to 2010. As a percentage of engineering sales, the cost of engineering sales decreased from 130% to 26% comparing 2011 to 2010. Administrative expenses decreased 32% comparing the three months ended December 31, 2011 to the same period in 2010. This decrease was attributable to lower advertising costs, payroll and other expenses.

For the six months ended December 31, 2011 and 2010, we went from a net loss of \$38,842 to net income of \$1,532. Gross sales declined 17% between the two periods, but cost of sales decreased 20% comparing 2011 and 2010, and administrative expenses decreased 25% for the six months ended December 31, 2011 compared to 2010. The net result was a bottom line improvement of 104% comparing the two periods.

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

### Sales

Revenues were \$568,941 for the three months ended December 31, 2011 compared to \$555,652 for the same period in 2010, an increase of 2%. For the six-month periods ended December 31, 2011 and 2010, sales were \$1,076,629 and \$1,294,072, respectively, a decrease of 17%. The sales increase for the three-month period in 2011 compared to 2010 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 \$203,420 for the three months ended December 31, 2011, versus \$297,695 for the three months ended December 31, 2010, a decrease of \$94,275. For the six months ended December 31, 2011, administrative expenses were \$442,431 compared to \$589,186 for the six months ended December 31, 2010. The biggest decrease occurred in advertising and payroll expenses.

### Liquidity and Capital Reserves

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On December 31, 2011, we had cash of \$129,259 and working capital of \$1,268,636. Net cash used in operating activities was \$25,029 for the six months ended December 31, 2011 compared to net cash from operating activities of \$118,942 for the six months ended December 31, 2010. The increased provision of cash from operating activities in the current year resulted primarily from the decrease in accounts payable and recoverable income taxes.

Cash used in investing activities was \$15,782 for the six months ended December 31, 2011, compared to cash used of \$90,206 during the same period in the prior year. Cash flows provided from investing activities (\$36,383) for the six months ended December 31, 2011 were from scrapped computers and equipment and a vehicle sale; cash flows used for investing activities were for computers and peripherals (\$10,020), vehicles (\$7,461), leasehold improvements (\$1,196) and software (\$1,924).

Cash used in financing activities was \$41,942 for the six months ended December 31, 2011 compared to cash used of \$27,725 for the period ended December 31, 2010. The net cash used in 2011 was to pay off a vehicle note and to pay down borrowings from a related party.

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ITEM 4 - CONTROLS AND PROCEDURES

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

Our management, with the participation of our chief executive officer and chief financial officer,

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

Based on our evaluation, our chief executive officer and chief financial officer concluded that our

disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or

submit under the Exchange Act is recorded, processed, summarized and reported within the time

periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

*(b) Changes in internal control over financial reporting.*

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

There were no changes in our internal control over financial reporting that occurred during the period

covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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**PART II - OTHER INFORMATION**

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

(a) Exhibits

See index to exhibits.

(b) Reports on Form 8-K

There were no reports on Form 8-K filed during the quarter ended December 31, 2011.

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## **SIGNATURES**

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 6, 2012 /s/ **Robert M. Callahan**

Robert M. Callahan Chief Executive Officer

Date: February 6, 2012 /s/ **Shawn A. Callahan**

Shawn A. Callahan

Chief Financial Officer

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**INDEX TO EXHIBITS**

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





