

METWOOD INC  
Form 10-K  
September 28, 2010

---

---

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended June 30, 2010

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  
(State or other jurisdiction  
of incorporation or  
organization)

83-0210365  
(IRS Employer  
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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the

Edgar Filing: METWOOD INC - Form 10-K

the Act. Yes  No

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

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

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 December 31, 2009, the aggregate market value of the 12,231,797 common shares outstanding (based upon the average of the bid price (\$.10) reported on the Pink Sheets OTC Market) held by non-affiliates was \$1,223,180.

As of September 15, 2010, 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.

METWOOD, INC. AND SUBSIDIARY  
FORM 10-K  
TABLE OF CONTENTS

		Page
<b>PART I</b>		
Item 1	Description of Business	3
Item 1A	Risk Factors	3
Item 2	Properties	3
Item 3	Legal Proceedings	3
Item 4	Submission of Matters to a Vote of Security Holders	3
<b>PART II</b>		
Item 5	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	5
Item 7	Management's Discussion and Analysis or Plan of Operation	5
Item 8	Financial Statements and Supplementary Data	6
Item 9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	15
Item 9A(T)	Controls and Procedures	15
Item 9B	Other Information	15
<b>PART III</b>		
Item 10	Directors, Executive Officers and Corporate Governance	16
Item 11	Executive Compensation	17
Item 12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	17
Item 13	Certain Relationships and Related Transactions, and Director Independence	17
Item 14	Principal Accounting Fees and Services	17
<b>PART IV</b>		
Item 15	Exhibits and Financial Statement Schedules	18
	Signatures	19

## 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.

## Edgar Filing: METWOOD INC - Form 10-K

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.

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, 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.

#### 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 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 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 year ending June 30, 2010, no customer accounted for 10% or more of total sales. For the fiscal year ending June 30, 2009, sales to Architecture-Planning & Development and Probuild East, LLC each accounted for approximately 10% 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.

## Edgar Filing: METWOOD INC - Form 10-K

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 twenty-one employees at June 30, 2010, 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.

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 \$196,085 for the fiscal year ended June 30, 2010 and \$168,305 for the year ended June 30, 2009. 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.

## 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 29, 2010 of \$.10 per share (best asking price of \$.15), the market value of shares held by non-affiliates would be \$1,223,180. There are no preferred shares authorized.

Our common stock is currently listed on the Pink Sheets OTC Market under the symbol "MTWD.PK." Until March 2009, our common stock was listed on the OTC Bulletin Board of the National Association of Securities Dealers ("NASD") 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 June 30, 2010	High	Bid
First Quarter		\$1.80	\$0.05
Second Quarter		\$0.10	\$0.07
Third Quarter		\$0.26	\$0.10
Fourth Quarter		\$0.25	\$0.03
	Year Ended June 30, 2009		
First Quarter		\$0.66	\$0.40
Second Quarter		\$0.75	\$0.23
Third Quarter		\$0.23	\$0.05
Fourth Quarter		\$1.80	\$0.05

## Holders

The approximate number of holders of record of our common stock as of September 15, 2010 was 1,116. 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

## Edgar Filing: METWOOD INC - Form 10-K

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.

### Results of Operations

Below are selected financial data for the years ended June 30, 2010 and 2009:

	2010	2009
Revenues	\$2,209,942	\$3,197,159
Net loss	\$(196,085 )	\$(168,305 )
Net loss per common share	\$(0.02 )	\$(0.01 )
Weighted average common shares outstanding	12,231,797	12,258,100

At June 30, 2010 and 2009:

Total assets	\$2,406,203	\$2,357,044
Working capital	\$1,589,855	\$1,550,213
Shareholders' equity	\$1,993,346	\$2,189,431

No dividends have been declared or paid during the periods presented.

Revenues and Cost of Sales - Consolidated gross sales decreased \$987,217, or 31%, for the year ended June 30, 2010 ("fiscal 2010") compared to the year ended June 30, 2009 ("fiscal 2009"). Construction sales consisted of product sales, engineering, delivery and installation fees. Engineering sales consisted of fees for engineering services. Gross profit decreased \$162,626 (16%) from fiscal 2009 to fiscal 2010.

The sales decline for fiscal 2010 versus 2009 reflects a general downturn in the building industry. Although we have sold product in over twenty-five states, our local market is down more than 30%. Nonetheless, the commercial market has overcome some of the residential downturn. The potential for increased sales volume as the Company goes forward is enhanced by the fact that we are now an authorized fabricator for the Dynatruss light-gage steel truss system, begun in March 2008.

Cost of sales decreased \$824,591 overall (38%) in fiscal 2010 compared to fiscal 2009. On the construction side, cost of sales decreased \$806,374 (40%), while cost of engineering sales declined \$18,217 (10%). The decline in construction and engineering costs was proportional to the decline in sales for the same period.

Administrative expenses - These costs decreased \$135,061, or 10%, to \$1,157,535 in fiscal 2010 from \$1,292,596 in fiscal 2009. The decrease was due primarily to lower advertising and marketing, insurance, payroll costs, and research and development expenses.

Other Income - Other income in fiscal 2010 was \$5,154 (15%) lower than fiscal 2009. The decrease resulted primarily from lower customer finance charges as well as decreased gain in 2010 compared to 2009 in the disposal of business assets

Income Taxes - In fiscal 2010 we recorded an income tax benefit of \$90,015 compared to a tax benefit of \$85,076 in fiscal 2009. 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 fully carried back to prior years. We decreased our deferred tax liability by \$32,589 in 2010 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 used for operating activities in fiscal 2010 were \$73,541 versus \$348,015 provided in fiscal 2009, a change of \$421,556. The decrease in cash flows from operations was primarily attributable to decreases in accounts receivable and in inventory and an increase in accounts payable and accrued expenses. We also used approximately \$25,000 for capital improvements and purchases of fixed assets. Financing activities in fiscal 2010 provided \$175,027 compared to \$147,839 used in fiscal 2009. The main provision of funds in 2010 was from amounts loaned from a related party, while funds used in 2009 in financing activities resulted from a repayment of \$150,000 under our line-of-credit agreement.

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.

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, 2010, and the related consolidated statements of income, stockholders' equity, and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit 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 audit provides 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, 2010, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Bongiovanni & Associates, CPA's  
Bongiovanni & Associates, CPA's  
Cornelius, North Carolina  
September 15, 2010

## METWOOD, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS  
JUNE 30, 2010 AND 2009

	June 30,	
	2010	2009
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$403,512	\$199,868
Accounts receivable, net	297,828	383,673
Inventory	938,878	912,169
Recoverable income taxes	84,383	90,533
Other current assets	53,329	49,239
<b>Total current assets</b>	<b>1,777,930</b>	<b>1,635,482</b>
<b>Property and Equipment</b>		
Leasehold improvements	168,338	169,492
Furniture, fixtures and equipment	97,766	101,319
Computer hardware, software and peripherals	155,924	211,861
Machinery and shop equipment	356,166	403,731
Vehicles	380,834	378,141
Land improvements	42,099	38,741
	1,201,127	1,303,285
Less accumulated depreciation	(825,942 )	(834,811 )
<b>Net property and equipment</b>	<b>375,185</b>	<b>468,474</b>
<b>Goodwill</b>	<b>253,088</b>	<b>253,088</b>
<b>TOTAL ASSETS</b>	<b>\$2,406,203</b>	<b>\$2,357,044</b>

See accompanying notes to consolidated financial statements.

METWOOD, INC. AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS  
JUNE 30, 2010 AND 2009

	June 30,	
	2010	2009
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 148,661	\$ 57,430
Accrued expenses	39,414	27,839
<b>Total current liabilities</b>	<b>188,075</b>	<b>85,269</b>
<b>Long-term Liabilities</b>		
Due to related company	175,027	-
Deferred income taxes, net	49,755	82,344
<b>Total long-term liabilities</b>	<b>224,782</b>	<b>82,344</b>
<b>Total liabilities</b>	<b>412,857</b>	<b>167,613</b>
<b>Stockholders' Equity</b>		
Common stock (\$.001 par, 100,000,000 shares authorized; 12,231,797 shares issued and outstanding at June 30, 2010)	12,232	12,232
Common stock not yet issued (\$.001 par, 8,150 shares at June 30, 2010)	8	8
Additional paid-in capital	1,544,268	1,544,268
Retained earnings	436,838	632,923
<b>Total stockholders' equity</b>	<b>1,993,346</b>	<b>2,189,431</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$2,406,203</b>	<b>\$2,357,044</b>

See accompanying notes to consolidated financial statements.

METWOOD, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
<b>REVENUES</b>		
Construction sales	\$2,034,292	\$2,975,376
Engineering sales	175,650	221,783
Gross sales	2,209,942	3,197,159
Cost of construction sales	1,208,269	2,014,643
Cost of engineering sales	158,073	176,290
Gross cost of sales	1,366,342	2,190,933
Gross profit	843,600	1,006,226
<b>ADMINISTRATIVE EXPENSES</b>		
Advertising	63,106	94,300
Bad debt provision	20,282	28,325
Depreciation	52,849	62,303
Insurance	36,999	69,260
Office expense	10,318	19,442
Payroll expenses	600,592	642,381
Professional fees	47,876	46,057
Rent	79,200	79,200
Research and development	6,940	33,590
Telephone	21,986	26,096
Travel	22,248	19,374
Vehicle	43,811	49,820
Other	151,328	122,448
Total administrative expenses	1,157,535	1,292,596
Operating loss	(313,935 )	(286,370 )
Other income	27,835	32,989
Loss before income taxes	(286,100 )	(253,381 )
Income tax benefit	(90,015 )	(85,076 )
Net loss	\$(196,085 )	\$(168,305 )
Basic and diluted deficit per share	\$(0.02 )	\$(0.01 )
Weighted average number of shares	12,231,797	12,258,100



See accompanying notes to consolidated financial statements.

METWOOD, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	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, 2008	12,091	\$ 12,091	200	\$ 200	\$ 1,542,057	\$ 801,228
Net loss for year	-	-	-	-	-	(168,305 )
Issuance of common stock for services	205	205	-	-	-	-
Shares canceled	(64 )	(64 )	-	-	64	-
Common stock subscribed not yet issued	-	-	2,160	2,160	-	-
Common stock subscribed reclassified to issued	-	-	(2,352 )	(2,352 )	2,147	-
Balances June 30, 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

See accompanying notes to consolidated financial statements.

METWOOD, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
<b>OPERATING ACTIVITIES</b>		
Net loss	\$(196,085 )	\$(168,305 )
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Depreciation, net of property disposals	(8,869 )	130,996
Provision for deferred income taxes	(32,589 )	(39,244 )
(Increase) decrease in operating assets:		
Accounts receivable	79,645	163,049
Inventory	(26,709 )	580,755
Prepaid expenses	2,110	(6,978 )
Refundable income taxes	6,150	(44,578 )
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	102,806	(231,680 )
Customer deposits	-	(36,000 )
Net cash (used for) provided by operating activities	(73,541 )	348,015
<b>INVESTING ACTIVITIES</b>		
Property, plant and equipment:		
Purchases	(25,058 )	(80,683 )
Property disposals	127,216	12,495
Net cash (used for) provided by investing activities	102,158	(68,188 )
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of common stock	-	2,161
Net borrowings from related party	175,027	-
Net repayment of line-of-credit agreement	-	(150,000 )
Net cash (used for) provided by financing activities	175,027	(147,839 )
Net increase in cash	203,644	131,988
Cash, beginning of the year	199,868	67,880
Cash, end of the year	\$403,512	\$199,868

See accompanying notes to consolidated financial statements.

METWOOD, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

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 affect the reported amounts of assets and liabilities and 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. At June 30, 2010 and 2009, the significant estimates used by management include the valuation of its goodwill. Actual results could differ from those estimates.

**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, 2010 and 2009, the allowance for doubtful accounts was \$30,000 and \$5,000, 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, 2010 and 2009, the bad debt expense was \$36,638 and \$28,846, 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, 2010 and 2009.

**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, 2010 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.

**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, 2010 and 2009, the expenses relating to research and development were \$6,940 and \$33,590, 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 June 2009, the FASB issued SFAS No. 168 (“SFAS 168”), The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles. SFAS 168 identifies the FASB Accounting Standards Codification as the authoritative source of generally accepted accounting principles in the United States. Rules and interpretive releases of the Securities and Exchange Commission (“SEC”) under federal securities laws are also sources of authoritative GAAP for SEC registrants. SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009.

On July 1, 2009, the Financial Accounting Standards Board Accounting Standards Codification™ (“Codification” or “ASC”) became the single source of authoritative GAAP (other than rules and interpretive releases of the U.S. Securities and Exchange Commission). The Codification is topically based with topics organized by ASC number and updated with Accounting Standards Updates (“ASUs”). ASUs will replace accounting guidance that historically was issued as FASB Statements (“SFAS”), FASB Interpretations (“FIN”), FASB Staff Positions (“FSP”), Emerging Issue Task Force (“EITF”) Issues or other types of accounting standards. The Codification became effective September 30, 2009 for the Company, and

disclosures within this Annual Report on Form 10-K have been updated to reflect the change.

On July 1, 2009, the Financial Accounting Standards Board Accounting Standards Codification™ (“Codification” or “ASC”) became the single source of authoritative GAAP (other than rules and interpretive releases of the U.S. Securities and Exchange Commission). The Codification is topically based with topics organized by ASC number and updated with Accounting Standards Updates (“ASUs”). ASUs will replace accounting guidance that historically was issued as FASB Statements (“SFAS”), FASB Interpretations (“FIN”), FASB Staff Positions (“FSP”), Emerging Issue Task Force (“EITF”) Issues or other types of accounting standards. The Codification became effective September 30, 2009 for the Company, and disclosures within this Annual Report on Form 10-K have been updated to reflect the change.

In December 2009, the FASB issued Accounting Standards Update 2009-16 (ASU 2009-16) which improves financial reporting by eliminating the exceptions for qualifying special-purpose entities from the consolidation guidance and the exception that permitted sale accounting for certain mortgage securitizations when a transferor has not surrendered control over the transferred financial assets. In addition, the amendments require enhanced disclosures about the risks that a transferor continues to be exposed to because of its continuing involvement in transferred financial assets. Comparability and consistency in accounting for transferred financial assets will also be improved through clarifications of the requirements for isolation and limitations on portions of financial assets that are eligible for sale accounting. The pending content that links to this paragraph shall be effective as of the beginning of each reporting entity’s first annual reporting period that begins after November 15, 2009, and for interim periods within that first annual reporting period and interim and annual reporting periods thereafter. This Update is not expected to have a material impact on the Company’s consolidated financial statements.

Accounting for Transfers of Financial Assets (Included in amended Topic ASC 860 “Transfers and Servicing”, previously SFAS No. 166, “Accounting for Transfers of Financial Assets - an Amendment of Financial Accounting Standard Board (“FASB”) Statement No. 140.”). The amended topic addresses information a reporting entity provides in its financial statements about the transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor’s continuing involvement in transferred financial assets. Also, the amended topic removes the concept of a qualifying special purpose entity, limits the circumstances in which a transferor derecognizes a portion or component of a financial asset, defines participating interest and enhances the information provided to financial statement users to provide greater transparency. The amended topic is effective for the first annual reporting period beginning after November 15, 2009 and will be effective for us as of May 1, 2010. The adoption of this amended topic is not expected to have a material impact on the Company’s consolidated financial statements.

Amendment of Financial Accounting Standard Board (“FASB”) Statement No. 140.”). The amended topic addresses information a reporting entity provides in its financial statements about the transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor’s continuing involvement in transferred financial assets. Also, the amended topic removes the concept of a qualifying special purpose entity, limits the circumstances in which a transferor derecognizes a portion or component of a financial asset, defines participating interest and enhances the information provided to financial statement users to provide greater transparency. The amended topic is effective for the first annual reporting period beginning after November 15, 2009 and will be effective for us as of July 1, 2010. The adoption of this amended topic is not expected to have a material impact on the Company’s consolidated financial statements.

Consolidation of Variable Interest Entities - Amended (Included in amended Topic ASC 810 “Consolidation”, previously SFAS 167 “Amendments to FASB Interpretation No. 46(R)”). The amended topic requires an enterprise to perform an analysis to determine the primary beneficiary



of a variable interest entity; to require ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity and to eliminate the quantitative approach previously required for determining the primary beneficiary of a variable interest entity. The amended topic also requires enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise's involvement in a variable interest entity. The amended topic is effective for the first annual reporting period beginning after November 15, 2009 and will be effective for us as of July 1, 2010. The adoption of this amended topic is not expected to have a material impact on the Company's consolidated financial statements.

The FASB issued Accounting Standards Update (ASU) No. 2009-13, Revenue Recognition (Topic 605): Multiple Deliverable Revenue Arrangements - A Consensus of the FASB Emerging Issues Task Force." This update provides application guidance on whether multiple deliverables exist, how the deliverables should be separated and how the consideration should be allocated to one or more units of accounting. This update establishes a selling price hierarchy for determining the selling price of a deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence, if available, third-party evidence if vendor-specific objective evidence is not available, or estimated selling price if neither vendor-specific or third-party evidence is available. The Company will be required to apply this guidance prospectively for revenue arrangements entered into or materially modified after January 1, 2011; however, earlier application is permitted. The management is in the process of evaluating the impact of adopting this ASU update on the Company's financial statements.

The FASB issued ASU No. 2010-06 "Improving Disclosures about Fair Value Measurements." The ASU amends previously issued authoritative guidance and requires new disclosures and clarifies existing disclosures and is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the rollforward activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. As this requires only additional disclosures, the guidance will have no impact on our financial position or results of operations.

The FASB issued ASU No. 2010-02, "Consolidation (Topic 810) Accounting and Reporting for Decreases in Ownership of a Subsidiary - a Scope Clarification." This amendment affects entities that have previously adopted Topic 810-10 (formally SFAS 160). It clarifies the decrease in ownership provisions of Subtopic 810-10 and removes the potential conflict between guidance in that Subtopic and asset derecognition and gain or loss recognition guidance that may exist in other US GAAP. An entity will be required to follow the amended guidance beginning in the period that it first adopts FAS 160 (now included in Subtopic 810-10). For those entities that have already adopted FAS 160, the amendments are effective at the beginning of the first interim or annual reporting period ending on or after December 15, 2009. The amendments should be applied retrospectively to the first period that an entity adopted FAS 160. The adoption of this ASU update has no material impact on the Company's consolidated financial statements.

Consolidation of Variable Interest Entities - Amended (Included in amended Topic ASC 810 "Consolidation", previously SFAS 167 "Amendments to FASB Interpretation No. 46(R)"). The amended topic requires an enterprise to perform an analysis to determine the primary beneficiary of a variable interest entity; to require ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity and to eliminate the quantitative approach previously required for determining the primary beneficiary of a variable interest entity. The amended topic also requires enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise's involvement in a variable interest entity.

The amended topic is effective for the first annual reporting period beginning after November 15, 2009 and will be effective for us as of July 1, 2010. The adoption of this amended topic is not expected to have a material impact on the Company's consolidated financial statements.

The FASB issued Accounting Standards Update (ASU) No. 2009-13, Revenue Recognition (Topic 605): Multiple Deliverable Revenue Arrangements - A Consensus of the FASB Emerging Issues Task Force." This update provides application guidance on whether multiple deliverables exist, how the deliverables should be separated and how the consideration should be allocated to one or more units of accounting. This update establishes a selling price hierarchy for determining the selling price of a deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence, if available, third-party evidence if vendor-specific objective evidence is not available, or estimated selling price if neither vendor-specific or third-party evidence is available. The Company will be required to apply this guidance prospectively for revenue arrangements entered into or materially modified after January 1, 2011; however, earlier application is permitted. The management is in the process of evaluating the impact of adopting this ASU update on the Company's financial statements.

The FASB issued ASU No. 2010-06 "Improving Disclosures about Fair Value Measurements." The ASU amends previously issued authoritative guidance and requires new disclosures and clarifies existing disclosures and is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the rollforward activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. As this requires only additional disclosures, the guidance will have no impact on our financial position or results of operations.

The FASB issued ASU No. 2010-02, "Consolidation (Topic 810) Accounting and Reporting for Decreases in Ownership of a Subsidiary - a Scope Clarification." This amendment affects entities that have previously adopted Topic 810-10 (formally SFAS 160). It clarifies the decrease in ownership provisions of Subtopic 810-10 and removes the potential conflict between guidance in that Subtopic and asset derecognition and gain or loss recognition guidance that may exist in other US GAAP. An entity will be required to follow the amended guidance beginning in the period that it first adopts FAS 160 (now included in Subtopic 810-10). For those entities that have already adopted FAS 160, the amendments are effective at the beginning of the first interim or annual reporting period ending on or after December 15, 2009. The amendments should be applied retrospectively to the first period that an entity adopted FAS 160. The adoption of this ASU update has no material impact on the Company's consolidated financial statements.

## 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, 2010 are as follows:

Year Ending June 30,	
2011	\$79,200
2012	79,200
2013	79,200
2014 and beyond	118,800
	\$356,400

## NOTE 8 - INCOME TAXES

The components of income tax benefit consist of:

	2010	2009
Current:		
Federal	\$(74,486 )	\$(51,950 )
State	-	(9,162 )
	(74,486 )	(61,112 )
Deferred:		
Federal	(3,401 )	(19,164 )
State	(12,128 )	(4,800 )
	(15,529 )	(23,964 )
Total income tax benefit	\$(90,015 )	\$(85,076 )

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	\$(286,100 )	\$(253,381 )
Income tax benefit computed at the statutory rate	(111,579 )	(98,819 )
State income tax benefit, net of federal tax effect	(9,448 )	(8,517 )
Non-deductible expenses	10,901	2,969
Effect of graduated income tax rates	16,750	10,734
Prior year adjustment	3,361	8,557
Total income tax benefit	\$(90,015 )	\$(85,076 )

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. Deferred

Edgar Filing: METWOOD INC - Form 10-K

tax liabilities at June 30, 2010 and 2009 were \$49,755 and \$82,344, respectively. The components of these amounts are as follows:

	2010	2009
Depreciation and miscellaneous	\$7,677	\$45,243
Amortization of goodwill	42,078	37,101
Net deferred tax liabilities	\$49,755	\$82,344

NOTE 9 - 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, 2010 and 2009 is as follows:

	2010	2009
<b>Construction:</b>		
Sales	\$2,034,292	\$2,975,376
Cost of sales	(1,208,269)	(2,014,643)
Intersegment expenses	(45,563 )	(50,970 )
Intersegment revenues	24,000	24,000
Corporate and other expenses	(1,010,839)	(731,779 )
Segment loss	\$(206,379 )	\$(201,984 )
Total assets	\$2,035,654	\$1,967,328
Capital expenditures	\$24,208	\$55,062
Depreciation		\$123,226
Interest expense	\$1,582	\$1,582
<b>Engineering:</b>		
Sales	\$175,650	\$221,783
Cost of sales	(158,073 )	(176,290 )
Intersegment revenues	45,563	50,970
Intersegment expenses	(24,000 )	(24,000 )
Corporate and other expenses	(28,846 )	(106,142 )
Segment income	\$10,294	\$33,679
Total assets	\$370,549	\$389,716
Capital expenditures	\$850	\$25,621
Depreciation	\$12,275	\$12,976
Interest expense	\$-	\$-

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934 (“Exchange Act”) is recorded, processed, summarized and reported within the specified time periods. Our Chief Executive Officer and its Chief Financial Officer (collectively, the “Certifying Officers”) are responsible for maintaining our disclosure controls and procedures. The controls and procedures established by us are designed to provide reasonable assurance that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission’s rules and forms.

As of the end of the period covered by this report, the Certifying Officers evaluated the effectiveness of our disclosure controls and procedures. Based on the evaluation, the Certifying Officers concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including the Certifying Officers, as appropriate to allow timely decisions regarding required disclosure.

The Certifying Officers have also concluded, based on their evaluation of our controls and procedures that as of June 30, 2010, our internal controls over financial reporting are effective and provide a reasonable assurance of achieving their objective.

The Certifying Officers have also concluded that there was no change in our internal controls over financial reporting identified in connection with the evaluation that occurred during our fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9A(T). Controls and Procedures

Conclusions regarding disclosure controls and procedures - Disclosure controls and procedures are the Company’s controls and other procedures that are designed to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files under the Exchange Act is accumulated and communicated to the Company’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Management is responsible for establishing and maintaining adequate internal control over financial reporting.

Under the supervision and with the participation of our management, including 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-14(c) promulgated under the Exchange Act as of June 30, 2010, and, based on their evaluation, as of the end of such period,

our disclosure controls and procedures were effective as of the end of the period covered by this Annual Report.

Management's report on internal control over financial reporting - It is management's responsibilities to establish and maintain adequate internal controls over the Company's financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the issuer's principal executive and principal financial officers and effected by the issuer's management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

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

As of the end of the period covered by this Annual Report, an evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our internal control over financial reporting.

Management assessed the effectiveness of our internal control over financial reporting as of June 30, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework.

Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, internal controls over financial reporting were effective as of the end of the period covered by the Report.

Item 9B. Other Information

None.

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, 2010 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. Callahan	President and CEO
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. Callahan	Secretary/Treasurer/CFO, VP/General Manager
Education: MBA 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);
- (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, 2010, 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.



## Item 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 Year	Annual Salary	Bonuses (1 )	Other Compensation (2 )	Restricted Stock Awards (3 )	LTIP Options (4 )	Restricted Stock Bonuses (4 )
2010	\$98,126	\$2,400	-0-	-0-	-0-	-0-
2009	\$81,832	-0-	-0-	-0-	-0-	-0-
2008	\$84,032	\$14,300	-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.

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

## Edgar Filing: METWOOD INC - Form 10-K

### 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 15, 2010, based upon 12,231,797 shares outstanding:

Title of Class	Greater Than 5% Owners 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 5,998,750 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 15, 2010:

Title of Class	Management Ownership 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 5,998,750 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.

### 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, 2010 and 2009 was \$79,200, respectively.

Continued Education Loans were advanced to our CFO during the years ended June 30, 2010 and 2009 in the amounts of \$13,626 and \$13,805, respectively. The outstanding balances at June 30, 2010 and 2009 were \$8,575 and \$2,914, respectively. As of the date of the filing of this report, however, the outstanding balance is \$-0-.

#### Item 14. Principal Accounting Fees and Services

The following table sets forth the aggregate fees billed or to be billed by Traci J. Anderson, CPA; Lake & Associates, CPAs, PA; and Bongiovanni & Associates, CPAs for audit services rendered in connection with the consolidated financial statements and reports for the years ended June 30, 2010 and 2009:

	2010	2009
Audit fees	\$12,500	\$12,500
Audit-related fees	-	-
Tax fees	-	-
All other fees	3,800	-
Total fees	\$16,300	\$12,500

**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.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

NUMBER DESCRIPTION

3(i)\* Articles of Incorporation

3(ii)\* By-Laws

31.1 Certification of Chief Executive Officer Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32 Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

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

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: September 15, 2010

/s/ Robert M. Callahan  
Robert M. Callahan  
President, CEO and Director

Date: September 15, 2010

/s/ Shawn A. Callahan  
Shawn A. Callahan  
Secretary/Treasurer/CFO and Director