

METWOOD INC
Form 10-K
September 30, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2014

[] TRANSITION REPORT PURSUANT TO 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.

(Exact name of registrant as specified in its charter)

NEVADA 83-0210365

(State or other jurisdiction (IRS Employer
of incorporation or organization) Identification No.)

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819 Naff Road, Boones Mill, VA 24065

(Address of principal executive offices)

(540) 334-4294

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the 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 Act. Yes No

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 has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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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, and will not be contained, 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. 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. See the definitions of "large accelerated filer," "accelerated filer," and a "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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 Act). Yes No

As of September 29, 2014, the aggregate market value of the 5,720,015 common shares outstanding (based upon the average of the bid price (\$.5) reported on the OTCQB Market) held by non-affiliates was \$2,860,000.

As of September 29, 2014, the number of shares outstanding of the registrant's common stock, \$0.001 par value (the only class of voting stock), was 15,221,647 shares.

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

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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.

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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, for \$350,000 and accounted for the transaction under the purchase method of accounting. As of June 30, 2012, Providence was no longer an operating segment of the Company. A decision was made that the majority of the engineering portion of the business could best be handled through a strategic partnership with an outside engineering firm. We believe that continuing research and development efforts will soon enable us to meet code requirements for our products and will eliminate the need for individual engineering seals.

Metwood ("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

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 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 are:

- TUFF BEAM - internally reinforced cold-formed steel beam
- TUFF JOIST - cold-formed steel joint system
- TUFF JOIST+ - internally reinforced cold-formed steel joist
- TUFF FLOOR SYSTEM - combinations of TUFFBEAM, NUJOIST and TUFFJOIST
are utilized to make up a complete floor system
- TUFF DECK - concrete deck systems
- RIM BEAM - internally reinforced CFS load distribution member
- TUFF FRAME 3.5 & 5.5 - a fully proprietary panelized load bearing and non-load bearing
CFS wall framing solution
- TUFF TRUSS 2.0 - a proprietary roof and floor truss system
- Aegis - Metwood is a distributor of Aegis Metal Framing's cold-formed steel trusses
SURE-SPAN™
- Trimmable square columns
- Joist reinforcers

· Engineering, design and custom building services

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Metwood's services include providing its customers, through a strategic partnership with an outside engineering firm, 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. Metwood also performs ongoing product research and development.

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

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

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

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

Distribution Methods of Products and Services

Our sales are primarily wholesale, directly to lumberyards, home improvement stores, hardware stores,

and plumbing and electrical suppliers in Virginia and North Carolina. Metwood relies primarily on its own sales force to generate sales; additionally, however, the Company has distributors in Virginia, New York, Oklahoma, Arizona and Colorado and also utilizes the salespeople of wholesale yards stocking the Company's products as an additional sales force.

We are an authorized vendor for Lowe's, Home Depot, 84 Lumber, Stock Building Supply, ProBuild, and many more. We have several stocking dealers of our square columns and reinforcing products. We will sell directly to contractors in areas where we do not have a dealer, but with our national dealer relationships, we typically have a dealer to use. Metwood intends to continue expanding the wholesale marketing of its unique products to retailers, to increase dealer sales, and to license the Company's technology and products to increase its distribution outside of Virginia, North Carolina and the South.

Status of Publicly Announced New Products or Services

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

Seasonality of Market

Our sales are subject to seasonal impacts, as our products are used in residential and commercial construction projects which tend to be at peak levels in Virginia and North Carolina between the months of March and October. Accordingly, our sales are typically 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 Telling Industries, New Millenium, Allied Tube & Conduit, and Vulcraft. Our main source of lumber is BlueLinx. Adelpia Metals, Re- Steel, Nucor and Gerdau Amersteel provide the majority of our rebar. Because of the number of suppliers available to us, our decisions in purchasing materials are dictated primarily by price and secondarily by availability. We do not anticipate a lack of supply to affect our production; however, a shortage might cause us to pass on higher materials prices to our buyers.

Dependence on One or a Few Major Customers

For the fiscal years ending June 30, 2014 and 2013, no customer accounted for 10% or more of total sales.

Patents

The Company has nine U.S. Patents:

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

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

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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.

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.

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Need for Government Approval of Principal Products

Our products must either be sold with an engineer's seal or applicable building code approval. Currently, we are seeking International Code Council ("ICC") code approval on our TUFFBEAMS.

Once that approval is obtained, our products can be used in all fifty states and will eliminate the need for an engineer's seal on individual products. To date, the Company's 2x10 floor joist reinforcer has received both Bureau Officials Code Association approval (2001) and ICC approval (2004).

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

Approximately fifteen percent of our time and resources 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 fourteen employees at June 30, 2014, thirteen 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 net losses of \$184,667 for the fiscal year ended June 30, 2014 and \$61,291 for the year ended June 30, 2013. 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.

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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 not a party to any legal proceedings, nor, to the best of our knowledge, are any such proceedings threatened or contemplated.

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

No matter was submitted to a vote during the year.

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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 recent close of our common stock at July 28, 2014 of \$.50 per share (with a 52-week high of \$.85), the market value of shares held by non-affiliates would be \$7,610,824.

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

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

Year Ended June 30, 2014 High Bid

First Quarter	\$0.85	\$0.25
Second Quarter	\$0.50	\$0.36
Third Quarter	\$0.50	\$0.50
Fourth Quarter	\$0.50	\$0.50

Year Ended June 30, 2013

First Quarter	\$0.51	\$0.04
Second Quarter	\$1.35	\$0.03
Third Quarter	\$1.00	\$0.08
Fourth Quarter	\$0.45	\$0.37

Holdings

The approximate number of holders of record of our common stock as of July 28, 2014 was 1,103. 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

We have not paid any dividends on our common stock and do not intend to pay dividends in the foreseeable future.

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

Operation

Metwood had previously entered into a Member Interests Purchase Agreement (the "Agreement") dated June 30, 2013 with Global Energy Group. The Company has determined not to consummate the transaction.

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 our TUFFBEAM 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.

Results of Operations

Below are selected financial data for the years ended June 30, 2014 and 2013:

	2014	2013
Revenues	\$1,933,006	\$2,157,379
Net loss	\$(244,117)	\$(327,504)
Net loss per common share	\$(0.02)	\$(0.02)
Weighted average common shares outstanding		

At June 30, 2014 and 2013:

Total assets	\$1,671,282	\$1,944,206
Working capital	\$808,626	\$1,112,947
Stockholders' equity	\$1,339,039	\$1,583,156

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

Revenues and Cost of Sales - Gross sales decreased \$224,373, or 10%, for the year ended June 30, 2014 ("fiscal 2014") compared to the year ended June 30, 2013 ("fiscal 2013"). Gross profit decreased \$249,842 (31%) from fiscal 2013 to fiscal 2014.

The Company's sales decrease for fiscal 2014 versus 2013 reflects a continuing downturn in the overall economy and in the building industry in particular, although 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 increased \$25,468, or 2%, in fiscal 2014 compared to fiscal 2013. Material costs, primarily metal products, were significantly higher in fiscal 2014 compared to fiscal 2013 and accounted for much of the increase.

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Administrative Expenses - These costs decreased \$384,080 from fiscal 2013 to fiscal 2014. The decrease resulted in large part from much lower payroll expenses and professional fees. We are invested in decreasing expenditures where possible in order to maximize our net earnings.

Other Income (Expense) - Other expenses in fiscal 2014 were \$20,589 compared to other income of \$9,967 in fiscal 2013. The change resulted from lower finance charge income in fiscal 2014 and also from a net loss on asset disposals compared to a gain on asset disposals in fiscal 2013.

Income Taxes - In fiscal 2014 we recorded an income tax benefit of \$56,855 compared to a tax benefit of \$77,150 in fiscal 2013. An income tax benefit was recognized in both fiscal years because, in addition to the book loss experienced, temporary ("timing") differences between book and tax income gave rise to a higher tax loss, which will be carried forward and offset future taxable income. A deferred tax asset has been recorded to reflect the potential future benefit of such a carryforward. Since the realization of such an asset is uncertain, we have also recorded a valuation allowance to reduce this asset to its net realizable value.

Liquidity and Capital Reserves - Cash flows used for operating activities in fiscal 2014 were \$61,039 versus net cash used for operating activities of \$158,282 in fiscal 2013. The decrease in cash flows used for operations for fiscal 2014 compared to fiscal 2013 was primarily attributable to decreases in accounts receivable and in inventory. We used \$76,776 for capital improvements and purchases of fixed assets in fiscal 2014 compared to \$29,567 in fiscal 2013. Financing activities in fiscal 2014 were \$-0- compared to \$12,711 used in fiscal 2013. The use of funds in 2013 was from amounts repaid to a related party.

We have historically funded our cash needs through operating income and credit line draws as