

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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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 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

Holders

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.

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

On a long-term basis, we also anticipate that product demand will increase considerably as we continue to expand our marketing and advertising campaign, which may include the use of television, radio, print and internet advertising. Efforts are well underway to increase the number of out-of-state sales representatives/brokers who will market our products throughout the country. As sales increase, we can add a second shift to meet the additional product demand without having to use funds to expand our production facilities. If additional cash becomes necessary to fund our growth, we may raise this capital through an additional follow-on stock offering rather than taking on more debt. However, there can be no assurance that we will be able to obtain additional equity or debt financing in the future. If we are unable to raise additional capital as needed, our growth potential will be adversely affected, and we would have to significantly modify our plans

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Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders

Metwood, Inc.

We have audited the accompanying consolidated balance sheets of Metwood, Inc and subsidiary (“the Company”) as of June 30, 2014 and 2013 and the related consolidated statements of operations, stockholders’ equity, and consolidated cash flows for the years ended June 30, 2014 and 2013. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audit in accordance with the 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 financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of their internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2014 and 2013, and the results of its operations, changes in stockholders' equity and cash flows for the years ended June 30, 2014 and 2013 in conformity with accounting principles generally accepted in the United States of America.

/s/ Bongiovanni & Associates, PA

Bongiovanni & Associates, PA

Certified Public Accountants

Plantation, Florida

The United States of America

September 29 , 2014

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METWOOD, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

JUNE 30, 2014 AND 2013

	June 30, 2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$36,836	\$174,650
Accounts receivable, net	149,671	238,515
Inventory	815,192	930,672
Other current assets	44,356	30,160
Total current assets	1,046,054	1,373,997
Property and Equipment		
Leasehold improvements	274,869	266,689
Furniture, fixtures and equipment	78,222	93,243
Computer hardware, software and peripherals	175,207	178,605
Machinery and shop equipment	467,166	465,085
Vehicles	387,443	372,646
Land improvements	67,959	67,959
	1,450,866	1,444,227
Less accumulated depreciation	(1,071,802)	(1,063,326)
Net property and equipment	379,064	380,901
Other Assets		
Deferred tax asset, less valuation reserve	246,163	189,308
	246,163	189,308
TOTAL ASSETS	\$1,671,282	\$1,944,206
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$205,037	\$135,248
Customer deposits	13,166	115,011
Accrued expenses	19,225	10,791
Total current liabilities	237,428	261,050
Long-term Liabilities		

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Due to related companies and parties	94,815	100,000
Total long-term liabilities	94,815	100,000
Total liabilities	332,243	361,050
Stockholders' Equity		
Common stock (\$.001 par, 100,000,000 shares authorized; 15,221,647 shares issued and outstanding at June 30, 2014 and 2013, respectively)	15,222	15,222
Common stock not yet issued (\$.001 par, 8,150 shares at June 30, 2014 and 2013, respectively)	8	8
Additional paid-in capital	1,899,773	1,899,773
Retained (deficit)	(575,964)	(331,847)
Total stockholders' equity	1,339,039	1,583,156
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$1,671,282	\$1,944,206

The Report of Independent Registered Public Accounting Firm and accompanying notes are an integral part of these consolidated financial statements

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METWOOD, INC.
AND
SUBSIDIARY
CONSOLIDATED
STATEMENTS
OF INCOME
FOR THE YEARS
ENDED JUNE 30,
2014 AND 2013

	2014	2013
REVENUES		
Gross sales	\$1,933,006	\$2,157,379
Cost of sales	1,384,630	1,359,162
Gross profit	548,375	798,217
ADMINISTRATIVE EXPENSES		
Advertising	17,731	29,607
Bad debt provision	77,192	110
Depreciation	22,679	22,289
Insurance	18,936	22,584
Payroll expenses	440,208	767,770
Professional fees	42,207	60,022
Rent	75,045	80,820
Research and development	7,829	5,073
Telephone	23,281	19,525
Vehicle	26,596	30,683
Other	77,054	174,355
Total administrative expenses	828,758	1,212,838
Operating loss	(280,383)	(414,621)
Other Income (Expense)	(20,589)	9,967
(Loss) before income taxes	(300,972)	(404,654)
Income tax benefit	(56,855)	(77,150)
Net (Loss)	\$(244,117)	\$(327,504)
Basic and diluted loss per common share	\$(0.02)	\$(0.02)
Weighted average number of common shares	15,221,647	15,221,647

The Report of Independent Registered Public Accounting Firm and accompanying notes are an integral part of these consolidated financial statements

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METWOOD, INC.
AND
SUBSIDIARY
CONSOLIDATED
STATEMENTS OF
STOCKHOLDERS'
EQUITY
FOR THE YEARS
ENDED JUNE 30,
2014 AND 2013

	Common Shares	Common Shares	Common Shares Not Yet Issued	Common Shares Not Yet Issued	Additional Paid-In	Retained Earnings (deficit)
	(000s)	(\$.001 Par)	(000s)	(\$.001 Par)	Capital	
Balances July 1, 2012	12,232	\$ 12,232	8	\$ 8	1,544,268	\$(4,343)
Issuance of common stock to employees	560	560	—	—	285,040	—
Issuance of common stock to related company	2,430	2,430	—	—	70,465	—
Net loss for year	—	—	—	—	—	(327,504)
Balances June 30, 2013	15,222	\$ 15,222	8	\$ 8	1,899,773	\$(331,847)
Net loss for year	—	—	—	—	—	(244,117)
Balances June 30, 2014	15,222	\$ 15,222	8	\$ 8	1,899,773	\$(575,964)

The Report of Independent Registered Public Accounting Firm and accompanying notes are an integral part of these consolidated financial statements

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METWOOD, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
OPERATING ACTIVITIES		
Net loss	\$(244,117)	\$(327,504)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Depreciation, net of property disposals	72,518	62,258
Issuance of common stock	—	358,495
Loss on preproperty disposals	3,191	6,170
Provision for deferred income taxes	(56,855)	(77,150)
(Increase) decrease in operating assets:		
Accounts receivable	88,844	(7,134)
Impairment loss on intangible assets		—
Inventory	115,480	31,108
Prepaid expenses		1,411
Other current assets	(14,196)	
Refundable income taxes		—
Increase in operating liabilities:		
Accounts payable, customer deposits and accrued expenses	(25,904)	110,628
Net cash provided by (used in) operating activities	(61,039)	(158,282)
INVESTING ACTIVITIES		
Property, plant and equipment:		
Purchases	(76,776)	(29,567)
Net cash provided by (used in) investing activities	(76,776)	(29,567)
FINANCING ACTIVITIES		
Net repayment to related party	—	(12,711)
Net borrowings from vehicle financing		—
Net cash (used in) financing activities	—	(12,711)
Net increase (decrease) in cash	(137,814)	116,004
Cash, beginning of the year	174,650	58,646
Cash, end of the year	\$36,836	\$174,650

The Report of
Independent
Registered
Public
Accounting
Firm and
accompanying
notes are an

integral part of
these
consolidated
financial
statements.

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METWOOD, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

NOTE 1 - ORGANIZATION AND OPERATIONS

Metwood, Inc. ("Metwood") was organized under the laws of the Commonwealth of Virginia on April 7, 1993. On June 30, 2000, Metwood entered into an Agreement and Plan of Reorganization in which the majority of its outstanding common stock was acquired by a publicly held Nevada shell corporation. The acquisition was a tax-free exchange for federal and state income tax purposes and was accounted for as a reverse merger in accordance with Accounting Principles Board ("APB") Opinion No. 16. Upon acquisition, the name of the shell corporation was changed to Metwood, Inc., and Metwood, Inc., the Virginia corporation, became a wholly owned subsidiary of Metwood, Inc., the Nevada corporation. The publicly traded shell corporation had not had a material operating history for several years prior to the merger.

Effective January 1, 2002, Metwood acquired certain assets of Providence Engineering, PC ("Providence"), a professional engineering firm with customers in the same proximity as Metwood, for \$350,000 and accounted for the transaction under the purchase method of accounting. As of June 30, 2012, Providence is no longer an operating segment of the Company. We have concluded that the majority of the engineering portion of the business can best be handled through a strategic partnership with an outside engineering firm. We believe that continuing research and development efforts will soon enable us to meet code requirements for our products and will eliminate the need for individual engineering seals.

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

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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. 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, 2014 and 2013, the allowance for doubtful accounts was \$7,800 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, 2014 and 2013, the bad debt expense was \$77,192 and \$110, 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, 2014 and 2013.

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

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

Income Taxes - Income taxes are accounted for in accordance with 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 year ended June 30, 2014, expenses were \$7,829 and for the year ended June 30, 2013, expenses were \$5,073.

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. These costs 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 May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”). With ASU 2014-09, the FASB supersedes the revenue recognition requirements of Topic 605, Revenue Recognition, and most industry-specific guidance. ASU 2014-09 sets forth an entirely new revenue recognition model, codified in FASB ASC 606-10, requiring that contracts be identified, performance obligations be identified, the transaction price be determined and allocated to performance obligations, and revenue be recognized upon satisfaction of performance obligations. ASU 2014-09 is effective for public companies for annual periods beginning after December 15, 2016 and interim periods within those annual periods. Early adoption is not permitted.

In July 2013, the FASB issued ASU No. 2013-11, Income Taxes (Topic 740), Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (“ASU 2013-11”). ASU 2013-11 requires that an unrecognized tax benefit, or a portion of an unrecognized benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward except to the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. In assessing whether a loss or tax credit carryforward is available to settle additional income taxes at the reporting date, entities would not consider future developments such as the subsequent expiration of a deferred tax asset. The assessment would only reflect conditions present at the reporting date. The ASU is effective for fiscal years, and interim periods

within those years, beginning after December 15, 2013.

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

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NOTE 3 - RELATED-PARTY TRANSACTIONS

For the years ended June 30, 2014 and 2013, we had sales of \$18,721 and \$21,455, respectively, to a related company 50% owned by our CEO. As of June 30, 2014 and 2013, the related receivable was \$-0-.

Also, from time to time we contract with this related company which provides capital improvements and maintenance work on our buildings and grounds. Billings for such services during the years ended June 30, 2014 and 2013 were \$2,585 and 10,080, respectively.

Additionally, Metwood has a note payable to the related company incurred for services provided. The balances at June 30, 2014 and 2013 were \$94,815 and \$100,000, respectively.

NOTE 4 - COMMITMENT

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

NOTE 5 - EQUITY

During the year ended June 30, 2013, we issued 560,000 common shares for the benefit of employees included in our stock-based incentive compensation program. In addition, 2,429,850 shares were issued to a related party as payment for a finder's fee during the year ended June 30, 2013. There were no shares issued in the program for the year ended June 30, 2014

NOTE 6 - SALE OF FIXED ASSETS AND RELATED OPERATING LEASE

During the year ended June 30, 2005, we entered into a sale 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 have been committed to lease back these same properties over a ten-year term expiring December 31, 2014. Rent expense charged to operations related to the commercial lease for the years ended June 30, 2014 and 2013 was \$76,000 and \$81,600, respectively.

Future minimum lease payments under non-cancelable operating leases as of June 30, 2014 are as follows:

Year Ending June 30,
2015 and beyond \$42,000

NOTE 7- INCOME TAXES

The components of income tax benefit consist of:

	2014	2013
Current:		
Federal	\$(41,910)	\$(20,681)
State	(8,564)	(5,598)
	(50,474)	(26,279)
Deferred:		
Federal	(6,176)	(44,569)
State	(205)	(6,302)
	(6,381)	(50,871)
 Total income tax benefit	 \$(56,855)	 \$(77,150)

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	\$(300,972)	\$(404,654)
Income tax benefit computed at the statutory rate	(117,379)	(157,815)
State income tax benefit, net of federal tax effect	(10,699)	(14,517)
Non-deductible expenses	3,375	3,119
Valuation reserve adjustment	56,855	77,150
Effect of graduated income tax rates	10,993	14,913
 Total income tax benefit	 \$(56,855)	 \$(77,150)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for federal and state income tax purposes. We

have recorded deferred tax assets at June 30, 2014 and 2013, net of a valuation reserve, of \$246,163 and \$189,308, respectively. The components of these amounts are as follows:

	2014	2013
Tax loss carryforward	\$ 189,847	\$ 102,666
Depreciation and miscellaneous	56,316	86,642
Net deferred tax asset	\$ 246,163	\$ 189,308

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

None.

Item 9A. Controls and Procedures

(a) Evaluation of disclosure controls and procedures

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Management conducted an evaluation of the effectiveness of our internal control over financial reporting and determined that our internal control over financial reporting was ineffective as of June 30, 2013 due to material weaknesses. A material weakness in internal control over financial reporting is defined by the Public Company Accounting Oversight Board's Audit Standard No. 5 as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of our financial reporting. Management's assessment identified the following material weaknesses in internal control over financial reporting:

- The small size of our Company limits our ability to achieve the desired level of separation in our internal controls and financial reporting. We do have a separate CEO and CFO; however, we do not have an Audit Committee to review and oversee the financial policies and procedures of the Company. Until such time we are able to install an audit committee, we do not meet the full requirement for separation. In the interim, we will continue to strengthen the role of our CEO and CFO and their review of our internal control procedures.

(b) Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

Identification of Directors and Executive Officers

The following table sets forth the names and the nature of all positions and offices held by all directors and executive officers of the Company for the year ending June 30, 2013 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 bankruptc 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, 2014, the Company believes that each person who, at any time during that period, was a director, executive officer, or beneficial owner of more than 10% of the Company's common stock complied with all Section 16(a) filing requirements.

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(table of contents)**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, and our Chief Financial Officer, Shawn A. Callahan:

Summary Compensation Table

	Fiscal Year	Annual Salary	Bonuses	Other Compensation	Restricted Stock Awards	LTIP Options	Restricted Stock Bonuses
			(1)	(2)	(3)	(4)	(4)
Robert M. Callahan	2014	\$ 59,856	\$ 7,900	-0-	\$-0-	-0-	-0-
	2013	\$ 80,000	\$ 7,100	-0-	-0-	-0-	-0-
	2012	\$ 71,667	\$ 7,800	-0-	-0-	-0-	-0-
Shawn A. Callahan	2014	\$ 65,623	\$ 8,000	-0-	\$-0-	-0-	-0-
	2013	\$ 62,102	\$ 7,580	-0-	-0-	-0-	-0-
	2012	\$ 63,006	\$ 8,938				

(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 made no restricted stock awards.

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

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

Compensation of Directors

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

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

Termination of Employment and Change of Control Arrangement

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

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(table of contents)**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**Security Ownership of Certain Beneficial Owners

The following table sets forth the shares held by those persons who owned more than five percent of Metwood's common stock as of July 31, 2014, based upon 15,221,647 shares outstanding:

Greater Than 5% Owners

Title of Class	Name and Address of Beneficial Owner	No. of Shares	Percent of Class	
	Robert Callahan			
Common	819 Naff Road Boones Mill, VA	9,501,632 (1)	62.4	%
	Ronald Shiflett			
Common	638 Patti Road Rocky Mount, VA	1,000,000	6.6	%

(1) Includes direct and indirect interests. There are 9,128,600 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 July 31, 2014:

Management Ownership

Title of Class	Name and Address of Beneficial Owner	No. of Shares	Percent of Class
Common	Robert Callahan	9,501,632 (1)	

Title of Class	Name and Address of Beneficial Owner	No. of Shares	Percent of Class
	819 Naff Road		62.4%
	Boones Mill, VA		

(1) Includes direct and indirect interests. There are 9,128,600 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: 62.4%

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, 2005, 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 a ten-year term expiring December 31, 2014. Rent expense charged to operations for the years ended June 30, 2014 and 2013 was \$76,000 and \$81,600.

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(table of contents)**Item 14. Principal Accounting Fees and Services**

The following table sets forth the aggregate fees billed or to be billed by Bongiovanni & Associates, CPAs for audit services rendered in connection with the consolidated financial statements and reports for the years ended June 30, 2014 and 2013:

	2014	2013
Audit Fee	\$ 20,494	\$ 28,384
Audit-related fees -	-	-
Tax fees	-	-
All other fees	-	-
Total	\$ 20,494	\$28,384

Audit fees : Consist of fees billed for professional services rendered for the audits of our consolidated financial statements and reviews of the interim consolidated financial statements included in quarterly reports and services that are normally provided by our auditors in connection with statutory and regulatory filings or engagements and attest services, except those not required by statute or regulation.

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

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

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

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

NUMBER DESCRIPTION

3(i)*	Articles of Incorporation
3(ii)*	By-Laws
<u>31.1</u>	Certification of Chief Executive Officer Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<u>31.2</u>	Certification of Chief Financial Officer Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes- Oxley Act of 2002
<u>32</u>	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

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: September 29, 2014

/s/ Robert M. Callahan

Robert M. Callahan

President, CEO and Director

Date: September 29, 2014

/s/ Shawn A. Callahan

Shawn A. Callahan

Secretary/Treasurer/CFO

and Director