

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED):

JANUARY 31, 2014

Greystone Logistics, Inc.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

OKLAHOMA

(STATE OR OTHER JURISDICTION
OF INCORPORATION)

000-26331

(COMMISSION FILE NUMBER)

75-2954680

(I.R.S. EMPLOYER IDENTIFICATION
No.)

1613 E. 15th, TULSA, OKLAHOMA

(Address of principal executive offices)

74120

(Zip Code)

(918) 583-7441

(Registrant's telephone number, including area code)

NOT APPLICABLE

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 1.01. ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.

Loan Agreement

On January 31, 2014, Greystone Logistics, Inc. (“Greystone Logistics”), Greystone Manufacturing, L.L.C. (“Greystone Manufacturing,” and together with Greystone Logistics, the “Borrowers”) and International Bank of Commerce (the “Lender”) entered into a Loan Agreement (the “IBC Loan Agreement”). Greystone Manufacturing is a wholly-owned subsidiary of Greystone Logistics.

The IBC Loan Agreement provides for the Lender to make to the Borrowers a revolving loan in an aggregate principal amount of up to \$2,500,000 (the “Revolving Loan”) and a term loan in the aggregate principal amount of \$9,200,000 (the “Term Loan”). The exact amount which can be borrowed under the Revolving Loan from time to time is dependent upon the amount of the borrowing base, but can in no event exceed \$2,500,000.

The Revolving Loan bears interest at the higher per annum rate of (i) the New York Prime Rate, plus 0.5%, and (ii) 4.0%. The Borrowers are required to pay all interest accrued on the outstanding principal balance of the Revolving Loan on February 28, 2014, and continuing on the last day of each month thereafter until January 31, 2016. The Borrowers are required to pay the outstanding principal balance of the Revolving Loan on January 31, 2016. Any principal on the Revolving Loan that is prepaid by the Borrowers may be reborrowed by the Borrowers.

The Term Loan bears interest at 4.5% per annum. The Borrowers are required to make equal payments of principal and interest in an amount sufficient to amortize the principal balance of the Term Loan over five years, commencing on February 28, 2014, and continuing on the last day of each month thereafter until January 31, 2019.

The proceeds from the Revolving Loan will be used for general working capital purposes and the proceeds from the Term Loan will be used to repay the Borrowers’ obligations to The F&M Bank & Trust Company (“F&M”), to pay accrued preferred dividends in an amount not to exceed \$3,470,000 and to finance the acquisition of equipment from Yorktown Management and Financial Services, L.L.C. (“Yorktown”).

The IBC Loan Agreement requires the Borrowers to pay a fee in the amount of \$100,000 to the Lender on January 31, 2014.

The IBC Loan Agreement includes customary representations and warranties and affirmative and negative covenants. Some of the noteworthy covenants include (i) requiring the Borrowers to maintain a debt service coverage ratio of 1:25 to 1:00 and a funded debt to EBIDA ratio of 3:00 to 1:00, (ii) subject to certain exceptions, limiting the Borrowers’ combined capital expenditures on fixed assets to \$1,000,000 per year, (iii) prohibiting Greystone Logistics, without the Lender’s prior written consent, from declaring or paying any dividends, redemptions of stock or membership interests, distributions and withdrawals (as applicable) in respect of its capital stock or any other equity interest, other than (A) a one-time payment of accrued preferred dividends to holders of its preferred stock in an amount not to exceed \$3,470,000 within 10 days of the date of the IBC Loan Agreement, and (B) additional payments to holders of its preferred stock in an amount not to exceed \$500,000 in any fiscal year, (iv) subject to certain exceptions, prohibiting the incurrence of additional indebtedness by the Borrowers, and (v) requiring the Borrowers to prevent (A) any change in capital ownership such that there is a material change in the direct or indirect ownership of (1) Greystone Logistics’ outstanding preferred stock, and (2) any equity interest in Greystone Manufacturing, or (B) Kruger from ceasing to be actively involved in the management of Greystone Logistics as President and/or Chief Executive Officer. The foregoing list of covenants is not exhaustive and there are several other covenants contained in the IBC Loan Agreement.

The IBC Loan Agreement includes customary events of default, including events of default relating to non-payment of principal and other amounts owing under the IBC Loan Agreement from time to time, inaccuracy of representations, violation of covenants, defaults under other agreements, bankruptcy and similar events, the death of a guarantor, certain material adverse changes relating to a Borrower or guarantor, certain judgments or awards against a Borrower, or government action affecting a Borrower's or guarantor's ability to perform under the IBC Loan Agreement or the related loan documents. Among other things, a default under the IBC Loan Agreement would permit the Lender to cease lending funds under the IBC Loan Agreement, and require immediate repayment of any outstanding loans with interest and any unpaid accrued fees.

The IBC Loan Agreement is secured by a lien on substantially all of the assets of the Borrowers. In addition, the IBC Loan Agreement is secured by a mortgage granted by Greystone Real Estate, L.L.C. ("Greystone Real Estate") on the real property owned by Greystone Real Estate in Bettendorf, Iowa (the "Mortgage"). Greystone Real Estate is owned by Warren F. Kruger ("Kruger") and Robert B. Rosene, Jr. ("Rosene"). Kruger and Rosene have provided a combined limited guaranty of the Borrowers' obligations under the IBC Loan Agreement, with such guaranty being limited to a combined amount of \$6,500,000 (the "Guaranty"). The Mortgage and the Guaranty also secure or guaranty, as applicable, the obligations of Greystone Real Estate under the Loan Agreement between Greystone Real Estate and the Lender dated as of January 31, 2014. Kruger is the President and Chief Executive Officer as well as a director of Greystone Logistics. Rosene is a director of Greystone Logistics.

The IBC Loan Agreement, the Promissory Note evidencing the Revolving Loan and the Promissory Note evidencing the Term Loan (collectively, the "Loan Documents") are filed as exhibits to this Current Report on Form 8-K and incorporated herein by reference. The Loan Documents have been filed in order to provide investors with information regarding their terms. The Loan Documents are not intended to provide any other factual information about Greystone Logistics or the other parties to the Loan Documents or any of their respective subsidiaries or affiliates. The foregoing description of the Loan Documents is not complete and is subject to and qualified in its entirety by reference to the full text of the Loan Documents. The representations, warranties and covenants contained in the Loan Documents may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors. Investors are not third-party beneficiaries of the Loan Documents and should not rely on the representations, warranties and covenants contained therein, or any descriptions thereof, as characterizations of the actual state of facts or conditions of Greystone Logistics.

Bill of Sale and Assignment

On January 31, 2014, Yorktown, Kruger, Greystone Logistics and Greystone Manufacturing entered into a Bill of Sale and Assignment (the "Bill of Sale"). The Bill of Sale provides for the acquisition of an injection molding machine, a lift crane and several injection molds (collectively, the "Assets") by Greystone Manufacturing from Yorktown (the "Acquisition"). The Acquisition was effective as of January 31, 2014.

As noted above, Kruger is the President and Chief Executive Officer as well as a director of Greystone Logistics. Kruger owns Yorktown and is a Manager of Greystone Manufacturing. Kruger abstained from the vote of the Board of Directors of Greystone Logistics approving the Acquisition. In determining the purchase price for the Assets, Greystone Logistics reviewed market prices for similar types of equipment.

Immediately prior to the Acquisition, Yorktown owed Greystone Manufacturing the aggregate amount of \$3,750,084.53 (the "Greystone Accounts Receivable"), and Greystone Logistics owed Kruger the aggregate amount of \$2,662,782.09 (the "Greystone Accounts Payable"). The Bill of Sale provides for the offset of the Greystone Accounts Receivable and the Greystone Accounts Payable on a dollar-for-dollar basis, leaving a balance of \$1,087,302.44 owed by Yorktown (the "Offset Balance").

The total consideration paid for the Assets was \$2,400,000 (the “Purchase Price”). The Purchase Price was paid as follows: \$1,312,697.56 was paid in cash by Greystone Manufacturing to Yorktown, and the Offset Balance was deemed to be satisfied in full and no longer owing as consideration for the remainder of the Purchase Price. Proceeds from the Term Loan were used to fund the cash portion of the Purchase Price.

The foregoing description of the Acquisition is not complete and is subject to and qualified in its entirety by reference to the full text of the Bill of Sale, which is filed as Exhibit 10.4 to this Current Report on Form 8-K and is incorporated herein by reference.

Greystone Logistics has determined that the Acquisition does not constitute a “business” within the meaning of Rule 11-01(d) of Regulation S-X and, therefore, no financial statements, including pro forma financial information, are required to be filed in connection with the Acquisition.

ITEM 1.02. TERMINATION OF A MATERIAL DEFINITIVE AGREEMENT.

The Borrowers used a portion of their borrowings under the IBC Loan Agreement to repay in full the outstanding balance owed by the Borrowers under the Loan Agreement dated as of March 4, 2005, as amended (the “F&M Loan Agreement”), among F&M, the Borrowers, Kruger and Rosene. The F&M Loan Agreement was terminated as of January 31, 2014.

ITEM 2.01. COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS.

The discussion relating to the Bill of Sale contained in Item 1.01 of this Current Report on Form 8-K is incorporated by reference herein.

ITEM 2.03. CREATION OF A DIRECT FINANCIAL OBLIGATION OR AN OBLIGATION UNDER AN OFF-BALANCE SHEET ARRANGEMENT OF A REGISTRANT.

The discussion relating to the IBC Loan Agreement contained in Item 1.01 of this Current Report on Form 8-K is incorporated by reference herein.

ITEM 3.03. MATERIAL MODIFICATION TO RIGHTS OF SECURITY HOLDERS.

The IBC Loan Agreement prohibits Greystone Logistics, without the Lender’s prior written consent, from declaring or paying any dividends or making any redemptions of stock or membership interests, distributions and withdrawals (as applicable) in respect of its capital stock or any other equity interest, other than (a) a one-time payment of accrued preferred dividends to holders of its preferred stock in an amount not to exceed \$3,470,000 within 10 days of the date of the IBC Loan Agreement, and (b) additional payments to holders of its preferred stock in an amount not to exceed \$500,000 in any fiscal year.

ITEM 7.01. REGULATION FD DISCLOSURE.

On February 5, 2014, Greystone Logistics issued a press release announcing the closing of the IBC Loan Agreement. A copy of the press release is being furnished and is attached as Exhibit 99.1 hereto and is incorporated herein by reference. In accordance with General Instruction B.2 of Form 8-K of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), the press release shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section, nor shall such information and such exhibit be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain matters contained in this filing include “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Greystone Logistics makes these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995.

All statements, other than statements of historical fact, included in this filing may constitute forward-looking statements. Although Greystone Logistics believes that the expectations reflected in these forward-looking statements are reasonable, it cannot assure you that these expectations will prove to be correct. These forward-looking statements are subject to certain known and unknown risks and uncertainties, as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause actual results to differ include, but are not limited to, any of the factors discussed from time to time in each of our documents and reports filed with the Securities and Exchange Commission.

Readers are cautioned not to place undue reliance on any forward-looking statements contained in this filing, which reflect management’s opinions only as of the date hereof. Except as required by law, Greystone Logistics undertakes no obligation to revise or publicly release the results of any revision to any forward-looking statements.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) *Exhibits.*

The following exhibit is filed herewith.

EXHIBIT No.	DESCRIPTION
10.1	Loan Agreement dated January 31, 2014, among Greystone Logistics, Inc., Greystone Manufacturing, L.L.C. and International Bank of Commerce
10.2	Promissory Note (Revolving Loan) dated January 31, 2014, made by Greystone Logistics, Inc. and Greystone Manufacturing, L.L.C. in favor of International Bank of Commerce
10.3	Promissory Note (Equipment Term Loan) dated January 31, 2014, made by Greystone Logistics, Inc. and Greystone Manufacturing, L.L.C. in favor of International Bank of Commerce
10.4	Bill of Sale and Assignment dated January 31, 2014, among Yorktown Management and Financial Services, L.L.C., Greystone Manufacturing, L.L.C., Greystone Logistics, Inc. and Warren F. Kruger
99.1	Press Release, dated February 5, 2014, issued by Greystone Logistics, Inc.

SIGNATURES

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

GREYSTONE LOGISTICS, INC.

Date: February 5, 2014

By: /s/ William W. Rahhal

William W. Rahhal
Chief Financial Officer

EXHIBIT INDEX

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LOAN AGREEMENT

(Revolving Loan and Equipment Term Loan)

This Loan Agreement (this "Agreement") is made as of January 31, 2014, among INTERNATIONAL BANK OF COMMERCE, a Texas state banking association (together with its successors and assigns, "Lender"), and GREYSTONE LOGISTICS, INC., an Oklahoma corporation ("Greystone Logistics"), and GREYSTONE MANUFACTURING, L.L.C., an Oklahoma limited liability company ("Greystone Manufacturing" and, together with Greystone Logistics, the "Borrowers").

NOW THEREFORE, the Lender and the Borrowers agree as follows:

ARTICLE I

DEFINED TERMS; CONSTRUCTION

Section 1.1. Definitions. Capitalized terms used but not otherwise defined in this Agreement have the meanings set forth below:

"Affiliate" means, as to any Person, each other Person that directly or indirectly (through one or more intermediaries or otherwise) controls, is controlled by, or is under common control with, such Person. For purposes of this definition, The term "control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the actual power to direct or cause the direction of the management policies of a Person, whether through the ownership of stock, by contract, credit arrangement or otherwise.

"Borrowers" has the meaning assigned to such term in the preamble.

"Borrowing Base" means the sum of (a) 80% of the balance due on Eligible Receivables, and (b) the lesser of (i) 50% of the value of Eligible Inventory, and (ii) \$1,250,000. The balance due on Eligible Receivables shall not include the amount of any counterclaims or offsets that have been or may be asserted against one or more Borrowers by the account debtor (including offsets for any "contra accounts" owed by any Borrower to the account debtor for goods purchased by any Borrower or for services performed for any Borrower) or to the extent any counterclaims, offsets or contra accounts exist in favor of the account debtor, such amounts shall be deducted from the account balance. The account balance shall exclude the amount of any finance or service charges payable by the account debtor.

"Cash Flow" means, as to the Borrowers for any period, on a consolidated basis, (a) net income, after the current portion of income tax, for such period, (b) less gain or plus loss from discontinued operations and extraordinary items for such period, (c) plus depreciation, depletion, and amortization expense for such period, (d) plus interest expense on all Debt for such period, (e) minus dividends, redemptions, and similar distributions made or paid by a Borrower on common or preferred equity during such period (excluding the Closing Dividend), (f) minus capital expenditures, for such period (excluding the Yorktown Equipment Acquisition).

"Change of Control" means (a) any change in capital ownership such that there is a material change, as determined by Lender in its sole discretion, in the direct or indirect ownership of (i) Greystone Logistics' outstanding preferred stock, and (ii) any equity interest in Greystone Manufacturing, or (b) Kruger ceasing to be actively involved in the management of Greystone Logistics as President and/or Chief Executive Officer.

"Closing Dividend" means a one-time payment of accrued preferred dividends to holders of Greystone Logistics' shares of preferred stock in an amount not to exceed \$3,470,000.00 at, or within ten (10) days of, the date of this Agreement.

"Collateral" has the meaning assigned to such term in [Section 4.1](#).

"Collateral Access Agreement" means any agreement, in form and substance satisfactory to the Lender, between the Lender and any third party (including any bailee, consignee, customs broker, or other similar party) in possession of any Collateral or any landlord of any real property where any Collateral is located, pursuant to which such third party acknowledges the Lender's security interest in such Collateral and agrees to provide the Lender with access to such Collateral upon the occurrence and during the continuation of any Event of Default, as such agreement may be amended, restated, or otherwise modified from time to time.

“Debt” means any indebtedness, liabilities and obligations, whether matured or unmatured, liquidated or unliquidated, primary or secondary, direct or indirect, absolute, fixed or contingent, and that is required to be classified as debt on the balance sheet of the Borrowers pursuant to GAAP.

“Debt Service Coverage Ratio” means, as of any calculation date, the ratio of Cash Flow for the four trailing quarters ending on such calculation date, to the sum of the current portion of the Borrowers’ long-term Debt as of such calculation date, plus interest expense of the Borrowers on all Debt for the four trailing quarters ending on such calculation date.

“Default” means any event or circumstance that with notice or the passage of time (or both) would constitute an Event of Default.

“EBIDA” means, as to the Borrowers for any period, net income after income tax for such period, less gain or plus loss from discontinued operations and extraordinary items for such period, plus interest expense for such period, plus depreciation for such period, depletion for such period, and amortization for such period.

“Eligible Inventory” means inventory that satisfies the following requirements:

(A) The inventory is owned by any Borrower free of any title defects or any Liens or interests of others except the Liens in favor of Lender and Permitted Liens.

(B) The inventory is located at locations (i) that Borrowers have disclosed to Lender, (ii) that are reasonably acceptable to Lender and (iii) if leased or otherwise not owned by any Borrower, as to which the applicable landlord or sublessor or the like, has executed a Collateral Access Agreement in favor of Lender. If the inventory is covered by a negotiable document of title (such as a warehouse receipt), that document has been delivered to the Lender.

(C) The inventory is not in transit (other than inventory in transit between locations of Borrowers).

(D) The inventory is held for sale or use in the ordinary course of Borrower’s business and is of good quality. Display items, work-in-process, parts, raw materials, samples, and packing and shipping materials are not acceptable. Inventory that is obsolete, unsalable, damaged, defective, used, discontinued or slow-moving, or that has been returned by the buyer, is not acceptable.

(E) The inventory is covered by insurance as required by this Agreement.

(F) The inventory is not subject to any licensing or other agreements that would prohibit or restrict in any way the ability of Lender to sell the inventory to third parties.

(G) The inventory has been produced in compliance with the requirements of the U.S. Fair Labor Standards Act (29 U.S.C. §§201 et seq.).

(H) The inventory is not placed on consignment.

“Eligible Receivable” means an account receivable that satisfies the following requirements:

(A) The account has resulted from the sale of inventory by any Borrower in the ordinary course of business and without any further obligation on the part of any Borrower to service, repair, or maintain any such goods sold other than pursuant to any applicable warranty.

(B) There are no conditions that must be satisfied before the applicable Borrower is entitled to receive payment of the account. Accounts arising from COD sales, consignments or guaranteed sales are not acceptable.

(C) The debtor upon the account does not claim any defense to payment of the account, whether well founded or otherwise.

(D) The account represents a genuine obligation of the account debtor for goods sold to and accepted by the account debtor, and to the extent any credit balances exist in favor of the account debtor, such credit balances shall be deducted from the account balance.

(E) One or more Borrowers has sent an invoice to the account debtor in the amount of the account.

(F) Borrowers are not prohibited by the laws of the state where the account debtor is located from bringing an action in the courts of that state to enforce the account debtor's obligation to pay the account.

(G) The account is owned by one or more Borrowers free of any title defects, Liens or interests of others except the Liens in favor of Lender and Permitted Liens.

(H) The account debtor upon the account is not any of the following:

(i) an Affiliate of any Borrower, or an entity that has common officers or directors with any Borrower;

(ii) the U.S. government or any agency or department of the U.S. government unless Lender agrees in writing to accept the obligation, Borrowers comply with the procedures in the Federal Assignment of Claims Act of 1940 (41 U.S.C. §15) with respect to the obligation, and the underlying contract expressly provides that neither the U.S. government nor any agency or department thereof shall have the right of set-off against Borrowers;

(iii) any state, county, city, town or municipality or any agency thereof; or

(iv) Any Person located in a foreign country unless (A) the account is covered by foreign credit insurance policy issued by the Export Import Bank of the United States and (B) the account is otherwise an Eligible Receivable.

(I) The account is not in default. An account will be considered in default if any of the following occur:

(i) the account is not paid (A) in the case of any account owing by Anheuser Busch Companies, LLC, or any subsidiary thereof, within one-hundred twenty (120) days from its invoice date, or (B) in the case of all other accounts, within sixty (60) days from its invoice date;

(ii) the account debtor makes a general assignment for the benefit of creditors, or fails to pay its debts generally as they come due; or

(iii) any petition is filed by or against the account debtor under any bankruptcy law or any other law or laws for the relief of debtors.

(J) The account is not the obligation of an account debtor who is in default (as defined in clause (I) above) on twenty percent (20%) or more of the accounts (as measured by account balance) upon which such account debtor is obligated.

(K) The account does not arise from the sale of goods that remain in any Borrower's possession or under any Borrower's control.

(L) The account is not evidenced by a promissory note or chattel paper, nor is the account debtor obligated to any Borrower under any other obligation that is evidenced by a promissory note.

"Equipment Term Loan" has the meaning assigned to such term in [Section 2.2](#).

"Equipment Term Note" has the meaning assigned to such term in [Section 2.4\(b\)](#).

"ERISA" means the Federal Employee Retirement Income Security Act of 1974, as amended, together with all regulations and rulings promulgated thereunder.

"Event of Default" has the meaning assigned to such term in [Section 9.1](#).

“F&M Debt” means all Debt owed to The F&M Bank & Trust Company by the Borrowers.

“Funded Debt” means all Obligations.

“GAAP” means generally accepted accounting principles in the United States applicable to commercial entities as set forth in the U.S. GAAP Accounting Standards Codification issued by the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

“Greystone Logistics” has the meaning assigned to such term in the preamble.

“Greystone Manufacturing” has the meaning assigned to such term in the preamble.

“Greystone Real Estate” means Greystone Real Estate, L.L.C., an Oklahoma limited liability company.

“Greystone Real Estate Loan Agreement” means the Loan Agreement of even date herewith between Greystone Real Estate and Lender, whereby the Lender has agreed to extend to Greystone Real Estate a term loan in the amount of Three Million Five Hundred Thousand Dollars (\$3,500,000.00), subject to the terms and conditions set forth therein, as the same may be amended, extended or restated from time to time.

“Hazardous Substance” means any substance, material or waste that is or becomes designated or regulated as “toxic,” “hazardous,” “pollutant,” or “contaminant” or a similar designation or regulation under any current or future federal, state or local law (whether under common law, statute, regulation or otherwise) or judicial or administrative interpretation of such, including without limitation petroleum or natural gas.

“Kruger” means Warren F. Kruger, an individual.

“Law” means all statutes, laws, ordinances, regulations, orders, writs, injunctions, or decrees of the United States, any state or commonwealth, any municipality, any foreign country, any territory or possession, or any Tribunal.

“Lender” has the meaning assigned to such term in the preamble.

“Lien” means, with respect to any property or assets, any right or interest therein of a creditor to secure Debt owed to it or any other arrangement with such creditor that provides for the payment of such Debt out of such property or assets or that allows it to have such Debt satisfied out of such property or assets before the satisfaction of general creditors of the owner of such property or assets, including any lien, mortgage, security interest, pledge, deposit, production payment, rights of a vendor under any title retention or conditional sale agreement or lease substantially equivalent thereto, tax lien, mechanic’s or materialman’s lien, or any other charge or encumbrance for security purposes, whether arising by Law or agreement or otherwise, but excluding any right of offset which arises without agreement in the ordinary course of business. “Lien” also means any filed financing statement, any registration of a pledge (such as with an issuer of unregistered securities), or any other arrangement or action that could serve to perfect a Lien described in the preceding sentence, regardless of whether such financing statement is filed, such registration is made, or such arrangement or action is undertaken before or after such Lien exists.

“Loans” means the Revolving Loan and the Equipment Term Loan.

“Loan Documents” means this Agreement, the Notes, the Security Agreement, the Mortgage, all guaranties, and all other agreements, instruments, documents and certificates executed and delivered to, or in favor of, Lender, and all other pledges, powers of attorney, consents, assignments, contracts, notices, letter of credit agreements and all other written matter whether heretofore, now or hereafter executed by or on behalf of any Borrower or any Obligor and delivered to Lender in connection with this Agreement or the transactions contemplated hereby. Any reference in this Agreement or any other Loan Document to a Loan Document shall include all appendices, exhibits or schedules thereto, and all amendments, restatements, supplements or other modifications thereto, and shall refer to the Agreement or such Loan Document as the same may be in effect at any and all times such reference becomes operative. The term “Loan Documents” as used in this Agreement does not include the Greystone Real Estate Loan Agreement.

“Mortgage” has the meaning assigned to such term in [Section 4.1\(b\)](#).

“Notes” means the Revolving Note and the Equipment Term Note.

“Obligations” means all Debt from time to time owing from any Borrower or any Obligor to Lender under or pursuant to any of the Loan Documents or any transaction contemplated thereby, including without limitation, all principal, interest, fees, expenses, costs, indemnities, performance obligations, and all amounts necessary to repay or prepay the Loans.

“Obligor” means any guarantor or any party, other than Greystone Real Estate, pledging Collateral to Lender.

“Permitted Liens” means (i) mechanics’ and materialmen’s liens (and other similar Liens), and Liens under operating and similar agreements, to the extent the same relate to expenses incurred in the ordinary course of business and which are not yet due, (ii) statutory liens for taxes that are not yet delinquent, (iii) the Liens evidenced by the Security Instruments, (iv) other Liens (if any) in favor of Lender, (v) Liens in existence on the date hereof and disclosed to the Lender in writing, (vi) any other Liens consented to by Lender in writing, and (vii) Liens securing Debt permitted by [Section 8.10\(d\)](#) or [Section 8.10\(e\)](#).

“Person” means an individual, corporation, limited liability company, limited partnership, partnership, association, joint stock company, trust or trustee thereof, estate or executor thereof, unincorporated organization or joint venture, court or governmental unit or any agency or subdivision thereof, or any other legally recognizable entity.

“Plan” means any plan subject to Title IV of ERISA and maintained for employees of any or all Borrowers, or of any member of a controlled group of corporations, as the term “controlled group of corporations” is defined in Section 1563 of the Internal Revenue Code of 1986, as amended, of which any Borrower is a part.

“Real Property” means the real property subject to the Lien of the Mortgage.

“Reportable Event” means an event described in Section 4043(b) of ERISA.

“Revolving Commitment” has the meaning assigned to such term in [Section 2.1](#).

“Revolving Loan” has the meaning assigned to such term in [Section 2.1](#).

“Revolving Note” has the meaning assigned to such term in [Section 2.4\(a\)](#).

“Rosene” means Robert B. Rosene, Jr., an individual.

“Security Agreement” has the meaning assigned to such term in [Section 4.1\(a\)](#).

“Security Instruments” means, collectively, the Security Agreement, the Mortgage and any other security agreement, mortgage, pledge, deed of trust that is executed by any Borrower or any Obligor in favor of the Lender.

“Tribunal” means any municipal, state, commonwealth, federal, foreign, territorial or other sovereign, governmental entity, governmental department, court, commission, board, bureau, agency or instrumentality.

“Yorktown” means Yorktown Management and Financial Services, L.L.C., an Oklahoma limited liability company.

“Yorktown Equipment Acquisition” means the acquisition by Greystone Manufacturing of certain equipment from Yorktown with the proceeds of the Equipment Term Loan.

Section 1.2. Construction. The following rules of construction shall apply to this Agreement, unless the context otherwise requires: (a) all terms defined herein in the singular shall include the plural, as the context requires, and vice-versa; (b) the descriptive headings of the Articles and Sections of this Agreement are inserted for convenience only and shall not be used in the construction of the content of this Agreement; (c) the term “or” is not exclusive; (d) the term “including” (or any form thereof) shall not be limiting or exclusive; and (e) references to any Article, Section, subsections or paragraph are to a numbered or lettered Article, Section, subsection or paragraph of this Agreement unless indicated otherwise.

ARTICLE II

THE LOANS

Section 2.1. Revolving Loan. Subject to the terms and conditions of this Agreement, during the availability period described below, the Lender will provide a revolving line of credit to the Borrowers (the “Revolving Loan”), and make cash advances thereunder from time to time during the availability period set forth in [Section 2.3\(a\)](#). The amount of the Revolving Loan (the “Revolving Commitment”) shall be up to Two Million Five Hundred Thousand Dollars (\$2,500,000.00). The Borrowers agree not to permit the principal balance of cash advances under the Revolving Loan to exceed the lesser of (a) the Revolving Commitment, and (b) the Borrowing Base. If the Borrowers at any time exceed either of these limits, the Borrowers will immediately pay the excess to the Lender.

Section 2.2. Equipment Term Loan. Subject to the terms and conditions of this Agreement, Lender agrees to provide a term loan to the Borrowers in the amount of Nine Million Two Hundred Thousand Dollars (\$9,200,000.00) (the “Equipment Term Loan”).

Section 2.3. Availability Period.

(a) The Revolving Loan is available in multiple disbursements from Lender between the date of this Agreement and January 31, 2016, unless a Default or Event of Default has occurred and is then in existence. During the availability period, the Borrowers may repay principal amounts under the Revolving Loan and reborrow them as provided herein.

(b) The Equipment Term Loan is available in one disbursement from Lender on the date of this Agreement, unless a Default or Event of Default has occurred.

Section 2.4. Repayment of Loans; Interest.

(a) The Revolving Loan will be evidenced by, and the Borrowers shall repay the Revolving Loan in accordance with, the Revolving Promissory Note of even date herewith executed by the Borrowers in the maximum principal amount of the Revolving Loan (as amended, modified, replaced, restated, extended or renewed from time to time, the “Revolving Note”). Interest will accrue on the outstanding principal balance of the Revolving Loan as described in the Revolving Note, except as otherwise provided in this Agreement.

(b) The Equipment Term Loan will be evidenced by, and the Borrowers shall repay the Equipment Term Loan in accordance with, the Equipment Term Promissory Note of even date herewith executed by the Borrowers in the original principal amount of the Equipment Term Loan (as amended, modified, replaced, restated, extended or renewed from time to time, the “Equipment Term Note”). Interest will accrue on the outstanding principal balance of the Equipment Term Loan as described in the Equipment Term Note, except as otherwise provided in this Agreement.

Section 2.5. Joint and Several Liability of Borrowers.

(a) Each of the Borrowers hereby irrevocably and unconditionally accepts, not merely as a surety but also as a co-debtor, joint and several liability with the other Borrowers with respect to the payment and performance of all of the Obligations, it being the intention of the parties that all the Obligations are the joint and several obligations of each of the Borrowers without preferences or distinction among them. If and to the extent that a Borrower fails to make any payment with respect to any of the Obligations as and when due or to perform any of the Obligations in accordance with the terms thereof, then in each such event, the other Borrowers will make such payment with respect to, or perform, such Obligation.

(b) Except as otherwise expressly provided herein, each Borrower hereby waives notice of acceptance of its joint and several liability, notice of occurrence of any Default or Event of Default, or of any demand for any payment under this Agreement, notice of any action at any time taken or omitted by the Lender under or in respect of any of the Obligations, any requirement of diligence and, generally, all demands, notices and other formalities of every kind in connection with this Agreement. Each Borrower hereby assents to, and waives notice of, any extension or postponement of the time for the payment of any of the Obligations, the acceptance of any partial payment thereon, any waiver, consent or other action or acquiescence by the Lender at any time or times in respect of any default by any Borrower in the performance or satisfaction of any term, covenant, condition or provision of this Agreement, any and all other indulgences whatsoever by the Lender in respect of any of the Obligations, and the taking, addition, substitution or release, in whole or in part, at any time or times, of any security for any of the Obligations or the addition, substitution or release, in whole or in part, of any Borrower. Without limiting the generality of the foregoing, each Borrower assents to any other action or delay in acting or any failure to act on the part of the Lender, including, without limitation, any failure strictly or diligently to assert any right or to pursue any remedy or to comply fully with applicable laws or regulations thereunder that, but for the provisions of this [Section 2.5](#), afford grounds for terminating, discharging or relieving such Borrower, in whole or in part, from any of its obligations under this [Section 2.5](#), it being the intention of each Borrower that, so long as any of the Obligations hereunder remain unsatisfied, the obligations of such Borrower under this [Section 2.5](#) shall not be discharged except by performance and then only to the extent of such performance. The obligations of each Borrower under this [Section 2.5](#) shall not be diminished or rendered unenforceable by any winding up, reorganization, arrangement, liquidation, reconstruction or similar proceeding with respect to any reconstruction or similar proceeding with respect to any Borrower or the Lender. The Borrowers' joint and several liability hereunder shall continue in full force and effect notwithstanding any absorption, merger, amalgamation or any other change whatsoever in the name, membership, constitution or place of formation of any Borrower or the Lender.

(c) The provisions of this [Section 2.5](#) shall remain in effect until all the Obligations have been paid in full or otherwise fully satisfied. If at any time, any payment, or any part thereof, made in respect of any of the Obligations, is rescinded or must otherwise be restored or returned by the Lender upon the insolvency, bankruptcy or reorganization of any of the Borrowers, or otherwise, the provisions of this [Section 2.5](#) will forthwith be reinstated and in effect as though such payment had not been made. Notwithstanding any provision to the contrary contained herein or in any other of the Loan Documents, the obligations of each Borrower hereunder shall be limited to an aggregate amount equal to the largest amount that would not render its obligations hereunder subject to avoidance under Section 548 of the Bankruptcy Code of the United States or any comparable provisions of any applicable bankruptcy, insolvency, assignment for the benefit of creditors or other debtor-relief Law.

ARTICLE III

FEES AND EXPENSES

Section 3.1. Fees.

(a) The Borrowers agree to pay a loan fee in the amount of One Hundred Thousand Dollars (\$100,000.00). This fee is due on the date of this Agreement. If Lender, in its discretion, agrees to waive or amend any terms of this Agreement, Borrowers shall, at Lender's option, pay Lender a fee for each waiver or amendment in an amount advised by Lender at the time Borrowers request the waiver or amendment. Nothing in this paragraph obligates Lender to agree to any waiver or amendment requested by Borrowers. Lender may impose additional requirements as a condition to any waiver or amendment.

(b) The Borrowers agree to pay a fee on any difference between the Revolving Commitment and the amount of credit the Borrowers actually use, determined by the average of the daily amount of credit outstanding during the specified period. The fee will be calculated at 0.5% per year. This fee is due quarterly in arrears on March 31, 2014, and on the last day of each following fiscal quarter until the expiration of the availability period for the Revolving Loan.

Section 3.2. Expenses. The Borrowers agree to pay all reasonable costs and expenses incurred by Lender in connection with making the Loans and to reimburse Lender for any expenses it incurs in the preparation of this Agreement and any agreement or instrument required by this Agreement. Such costs and expenses include, but are not limited to, reasonable attorneys' fees, charges for title reports, recording and escrow charges, appraisal fees, fees for engineering or environmental services, and any other reasonable fees and costs for services, regardless of whether such services are furnished by Lender's employees or by independent contractors.

ARTICLE IV

COLLATERAL

Section 4.1. Collateral. All Obligations, including without limitation Borrowers' obligations and indebtedness under this Agreement and the other Loan Documents, shall be secured by the following (collectively, together with any other collateral or security provided for the Obligations now or in the future, the "Collateral"):

(a) The assets of the Borrowers described in the Security Agreement and Assignment of even date herewith by Borrowers in favor of Lender (the "Security Agreement"); and

(b) the real property, personal property and other property belonging to Greystone Real Estate located in Scott County, Iowa, as described in the Mortgage, Security Agreement, Assignment of Rents and Leases, and Fixture Filing of even date herewith from Greystone Real Estate in favor of Lender (the "Mortgage").

Section 4.2. Third-Party Reports; Inspections. At any time and from time to time Lender may obtain third-party reviews and reports pertaining to any or all of the Collateral, but unless a Default or Event of Default exists, Lender may only obtain one (1) third-party review and/or report pertaining to any or all of the Collateral per calendar year. Borrowers shall permit representatives appointed by Lender (including independent accountants, agents, attorneys, engineers, appraisers and any other Persons) to visit and inspect, during reasonable business hours, any of Borrowers' property, including books of account, other books and records, and any facilities or other business assets. Borrowers shall permit representatives appointed by Lender (including independent accountants, agents, attorneys, appraisers and any other Persons) to make extra copies therefrom and photocopies and photographs thereof, and to write down and record any information such representatives obtain. Borrowers shall permit Lender or its representatives to investigate and verify the accuracy of the information furnished to Lender in connection with the Loans and to discuss all such matters with its officers, employees and representatives.

Section 4.3. Marshalling, Etc. Each Borrower hereby waives any right it may have to require marshaling of assets or collateral for repayment of the Obligations or indebtedness under any other agreement with Lender if an Event of Default occurs. Upon any Event of Default, Lender may, at its option, realize or foreclose upon any of the Collateral or any portion or part of the Collateral in any order including, but not limited to, the property encumbered by the Security Instruments. Each Borrower waives any and all rights it may have under 12 Okla. Stat. § 686 or any other applicable Law that may require or arguably require Lender to proceed first against any Collateral or portion of the Collateral in lieu of or before proceeding upon any Collateral or portion thereof Lender may choose upon which to proceed first for satisfaction or partial satisfaction of the Obligations. Each Borrower also waives any right under 12 Okla. Stat. § 686 or under any other applicable Law to obtain credit for the fair market value of any Collateral, even if any or all of the Security Instruments are released by Lender, unless Lender forecloses any of the Security Instruments and any of the Collateral is sold at sheriff's sale or by power of sale. The terms of this [Section 4.3](#) shall survive any release of any or all of the Security Instruments and shall remain in effect among Lender and Borrowers as long as any Obligations are outstanding in any form.

Section 4.4. Cross-Collateralization. The Borrowers agree that the Collateral secures not only the Obligations but also all other debt and obligations of any or all Borrowers to Lender of every kind and character now existing or arising in the future in favor of Lender, whether of a like nature of those described in the Security Instruments or not, whether voluntary or otherwise, whether due or not due, direct or indirect, absolute or contingent, liquidated or unliquidated, determined or undetermined, and whether as maker, guarantor, surety, accommodation party or otherwise, and any renewals or extensions thereof, as well as any future advances made by Lender to any of them or by Lender on account of any of them or the property described in any security instrument, including without limitation any future advances made pursuant to the terms and provisions of any security instrument.

ARTICLE V

DISBURSEMENTS AND PAYMENTS

Section 5.1. Disbursements and Payments.

(a) Each payment by the Borrowers will be made in U.S. Dollars and immediately available funds by debit to a deposit account, as described in this Agreement or otherwise authorized by Borrowers. For payments not made by direct debit, payments will be made by mail to the address shown on Borrowers' statement or by such other method as may be permitted by Lender.

(b) Lender may honor instructions for repayments given by any one of the individuals authorized to sign loan agreements on behalf of any of the Borrowers, or any other individual designated by any one of such authorized signers.

(c) For any payment under this Agreement made by debit to a deposit account, Borrowers will maintain sufficient immediately available funds in the deposit account to cover each debit. If there are insufficient immediately available funds in the deposit account on the date Lender enters any such debit authorized by this Agreement, Lender may reverse the debit.

(d) Each disbursement by Lender and each payment by Borrowers will be evidenced by records kept by Lender.

Section 5.2. Direct Debit. The Borrowers agree that on the date each payment of principal, interest, or both, and any fees from Borrowers becomes due (the "Due Date"), Lender may debit the amounts that will be due on that Due Date (the "Billed Amount") from one or more of the Borrowers' accounts with Lender as designated in writing by Borrowers (the "Designated Account"). If the Billed Amount differs from the actual amount due on the Due Date (the "Accrued Amount"), the discrepancy will be treated as follows:

(i) If the Billed Amount is less than the Accrued Amount, the Billed Amount for the following Due Date will be increased by the amount of the discrepancy. Borrowers will not be in default by reason of any such discrepancy.

(ii) If the Billed Amount is more than the Accrued Amount, the Billed Amount for the following Due Date will be decreased by the amount of the discrepancy.

(iii) Regardless of any such discrepancy, interest will continue to accrue based on the actual amount of principal outstanding without compounding. Lender will not pay Borrowers interest on any overpayment.

Section 5.3. Banking Days. Unless otherwise provided in this Agreement, a banking day is a day other than a Saturday, Sunday or other day on which commercial banks are authorized to close, or are in fact closed, in the state where Lender's lending office is located, and, if such day relates to amounts bearing interest at an offshore rate (if any), means any such day on which dealings in dollar deposits are conducted among banks in the offshore dollar interbank market. All payments and disbursements which would be due on a day which is not a banking day will be due on the next banking day. All payments received on a day which is not a banking day will be applied to the credit on the next banking day.

ARTICLE VI

CONDITIONS

Before Lender is required to extend any credit to the Borrowers under this Agreement, Lender must receive any documents and other items it reasonably requires, in form and content acceptable to Lender, including any items specifically listed below.

Section 6.1. Authorizations. Evidence that the execution, delivery and performance by each Borrower of this Agreement and any instrument or agreement required under this Agreement have been duly authorized.

Section 6.2. Governing Documents. A copy of each Borrower's organizational documents.

Section 6.3. Good Standing. Certificates of good standing for each Borrower from their respective states of formation and from any other state in which any Borrower is required to qualify to conduct its business.

Section 6.4. Notes. Signed originals of each Note.

Section 6.5. Greystone Real Estate Loan. The Greystone Real Estate Loan Agreement executed by Greystone Real Estate and Lender, together with all deliverables required thereunder. It is a condition precedent to Lender's obligation to extend the Loans that all conditions to the extensions of credit contemplated by the Greystone Real Estate Loan Agreement be satisfied.

Section 6.6. Guaranty. A Combined Limited Guaranty Agreement in favor of Lender signed by Kruger and Rosene, unconditionally guarantying all Obligations (and all indebtedness and obligations of Greystone Real Estate under the Greystone Real Estate Loan Agreement) up to a maximum amount of \$6,500,000.00.

Section 6.7. Security Agreement. A signed original of the Security Agreement.

Section 6.8. Mortgage. A signed and acknowledged original of the Mortgage.

Section 6.9. SNDA; Collateral Access Agreement. A subordination, non-disturbance and attornment agreement and a Collateral Access Agreement in favor of Lender signed by Greystone Real Estate and Greystone Manufacturing.

Section 6.10. Perfection and Evidence of Priority. Evidence that the Liens in favor of the Lender are valid, enforceable, properly perfected in a manner acceptable to the Lender and prior to all others' rights and interests, except Permitted Liens and those the Lender consents to in writing.

Section 6.11. Casualty Insurance. Evidence of the casualty and other insurance coverage as required under this Agreement or the Security Instruments.

Section 6.12. Due Diligence. Completion satisfactory to Lender, in Lender's sole discretion, of technical, financial, operational, environmental, land and legal due diligence regarding the Borrowers and the Collateral.

Section 6.13. Other Collateral Information. Such other documents, property information and other assurances as Lender may reasonably require concerning the Collateral.

Section 6.14. Legal Opinion. A written opinion from the Borrowers' legal counsel, covering such matters as Lender reasonably requires. The legal counsel and the terms of the opinion must be acceptable to Lender.

Section 6.15. Payment of Fees. Payment of all fees, expenses and other amounts due and owing to Lender. If any fee is not paid in cash, Lender may, in its discretion, treat the fee as a principal advance under this Agreement or deduct the fee from the proceeds of the Loans.

Section 6.16. Borrowing Base Certificate. An initial Borrowing Base Certificate setting forth the Borrowing Base as of the last day of the month before the date of this Agreement.

Section 6.17. Payoff Letter. Payoff letters in form acceptable to Lender stating the full payoff amount of any Debt to be repaid from the proceeds of the Loans (including without limitation the F&M Debt) and confirming that all Liens securing such Debt upon any Collateral will be terminated concurrently with such payment.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES

When the Borrowers sign this Agreement, and until Lender is repaid in full, each Borrower makes the following representations and warranties. Each request for an extension of credit constitutes a renewal of these representations and warranties as of the date of the request:

Section 7.1. Formation. Greystone Logistics is a corporation duly incorporated and validly existing under the laws of the State of Oklahoma. Greystone Manufacturing is a limited liability company duly formed and validly existing under the laws of the State of Oklahoma. Greystone Real Estate is a limited liability company duly formed and validly existing under the laws of the State of Oklahoma.

Section 7.2. Authorization. This Agreement, the other Loan Documents to which the Borrowers are parties and any instrument or agreement required of the Borrowers hereunder or thereunder, are within the Borrowers' organizational powers, have been duly authorized, and do not conflict with any of their organizational or governing documents.

Section 7.3. Enforceable Agreement. This Agreement is a legal, valid and binding agreement of the Borrowers, enforceable against each Borrower in accordance with its terms, and any instrument or agreement required of them hereunder, when executed and delivered, will be similarly legal, valid, binding and enforceable.

Section 7.4. Good Standing. Each Borrower is properly licensed, in good standing, and, where required, in compliance with fictitious name statutes, in each state in which it does business.

Section 7.5. Financial Information. All financial and other information that has been or will be supplied to Lender is sufficiently complete to give Lender accurate knowledge of each Borrower's and any Obligor's financial condition, including all material contingent liabilities. Since the date of the most recent financial statement(s) provided to Lender, there has been no material adverse change in the business condition (financial or otherwise), operations, properties or prospects of any Borrower or any Obligor.

Section 7.6. Lawsuits. There is no lawsuit, tax claim or other dispute pending or threatened against any or all Borrowers that, if lost, would impair any or all Borrowers' financial condition or ability to repay the Loans.

Section 7.7. Collateral. All Collateral required in this Agreement is owned by the grantor of the Lien under the applicable Security Instruments free of any title defects or any Liens or interests of others, except those that have been approved by the Lender in writing.

Section 7.8. Other Obligations. No Borrower is in default on any obligation for borrowed money, any purchase money obligation or any other material lease, commitment, contract, instrument or obligation.

Section 7.9. Tax Matters. No Borrower has any knowledge of any pending assessments or adjustments of its income tax for any year and all taxes due have been paid, except as have been disclosed in writing to Lender.

Section 7.10. No Event of Default. There is no Default or Event of Default.

Section 7.11. Insurance. The Borrowers have obtained, and maintained in effect, the insurance coverage required in [Section 8.22](#) and [Section 8.23](#) of this Agreement.

Section 7.12. Hazardous Substances. Before signing this Agreement, the Borrowers researched and inquired into the previous uses and ownership of the Real Property. Based on that due diligence, the Borrowers represent and warrant that to the best of their knowledge, no Hazardous Substance has been disposed of or released or otherwise exists in, on, under or onto the Real Property.

Section 7.13. ERISA. Since the effective date of Title IV of ERISA, no Reportable Event has occurred with respect to any Plan. Each Plan established or maintained by any or all Borrowers or any Affiliates is in material compliance with the applicable provisions of ERISA, and all Borrowers and their Affiliates have filed all reports required by ERISA and the Code to be filed with respect to each Plan. Borrowers and their Affiliates have met all requirements with respect to funding Plans imposed by ERISA or the Code. Since the effective date of Title IV of ERISA there have not been any nor are there now existing any events or conditions that would permit any Plan to be terminated under circumstances which would cause the Lien provided under Section 4068 of ERISA to attach to the assets of the Borrowers or their Affiliates. The value of each Plan's benefits guaranteed under Title IV of ERISA on the date hereof does not exceed the value of such Plan's assets allocable to such benefits on the date hereof.

ARTICLE VIII

COVENANTS

The Borrowers agree, so long as credit is available under this Agreement and until Lender is repaid in full, as follows:

Section 8.1. Use of Proceeds. To use the Revolving Loan proceeds only for general working capital purposes, to use the Equipment Term Loan proceeds only for repaying the F&M Debt, paying the Closing Dividend, and financing the Yorktown Equipment Acquisition.

Section 8.2. Financial Information. The Borrowers shall provide the following financial information and statements in form and content acceptable to the Lender, and such additional information as reasonably requested by the Lender from time to time. The Lender reserves the right, upon written notice to the Borrowers, to require the Borrowers to deliver financial information and statements to the Lender more frequently than otherwise provided below:

(a) Within 90 days of the fiscal year end, the annual financial statements for each Borrower, certified and dated by an authorized financial officer. These financial statements may be internally-prepared.

(b) Within 60 days of the end of each fiscal quarter (including the last period in each fiscal year), quarterly financial statements of for each Borrower, certified and dated by an authorized financial officer. These financial statements may be internally-prepared, and must be accompanied by a compliance certificate for the Borrowers, signed by an authorized financial officer and setting forth (i) the information and computations (in sufficient detail) to establish compliance with all financial covenants at the end of such fiscal quarter and (ii) whether there existed as of the date of such financial statements and whether there exists as of the date of the certificate, any Default or Event of Default under this Agreement and, if so, specifying the nature thereof and the action the party is taking and proposes to take with respect thereto.

(c) Within 20 days after the end of each month, a Borrowing Base Certificate calculating the Borrowing Base as of the last day of such month, together with: (i) a detailed aging of each Borrower's receivables by invoice or a summary aging by account debtor, (ii) a detailed aging of each Borrower's accounts payable or a summary aging by account creditor, and (iii) a schedule detailing the value of inventory calculated as set forth herein, each in form and content reasonably acceptable to Lender.

(d) Within 30 days of filing, copies of federal tax returns (filed either individually or jointly) for each Borrower for the previous year.

Section 8.3. Debt Service Coverage Ratio. The Borrowers shall maintain on a consolidated basis a Debt Service Coverage Ratio of at least 1.25:1.00 tested as of the last day of each fiscal quarter ending February 28, 2014, and thereafter. The Debt Service Coverage Ratio will be calculated on the last day of each fiscal quarter using the results of the twelve-month period ending on such date.

Section 8.4. Funded Debt to EBIDA Ratio. The Borrowers shall maintain on a consolidated basis a ratio of Funded Debt to EBIDA not exceeding 3.00:1.0 tested as of the last day of each fiscal quarter ending February 28, 2014, and thereafter. The Funded Debt to EBIDA Ratio will be calculated on the last day of each fiscal quarter using the results of the twelve-month period ending on such date.

Section 8.5. Capital Expenditures. Borrowers will not spend or incur obligations to acquire fixed assets for more than One Million Dollars (\$1,000,000.00) in any single fiscal year on a consolidated basis, excluding (a) the Yorktown Equipment Acquisition, and (b) fixed assets acquired from Kruger or Yorktown pursuant to any Debt offset arrangement entered into on or before the date of this Agreement.

Section 8.6. Dividends; Distributions. Without Lender's prior written consent, Greystone Logistics shall not declare or pay any dividends, redemptions, distributions and withdrawals (as applicable) with respect to its capital stock or any other equity interests, other than (i) the Closing Dividend, and (ii) additional distributions to holders of its preferred stock in amounts that in the aggregate do not exceed Five Hundred Thousand Dollars (\$500,000.00) in any single fiscal year.

Section 8.7. Interest on Related Party Debt. Without the Lender's prior written consent, the Borrowers, on a consolidated basis, shall not make payments of any Debt owed to their Affiliates, Rosene and/or Kruger, other than (i) Greystone Manufacturing may pay amounts due and owing to Greystone Real Estate under the lease agreement between Greystone Manufacturing and Greystone Real Estate pertaining to the Real Estate, (ii) the Borrower may make interest only payments on Debt owed to their Affiliates, Rosene and/or Kruger in amounts that in the aggregate do not exceed Five Hundred Thousand Dollars (\$500,000) in any single fiscal year, and (iii) Debt offset arrangements with Yorktown or Kruger entered into on or before the date hereof for the purpose of acquiring fixed assets.

Section 8.8. Profitability. The Borrowers, on a consolidated basis, will not incur a net loss before taxes and extraordinary items in any two consecutive fiscal quarters.

Section 8.9. Compliance with Law; Compliance Regarding Hazardous Substances. The Borrowers shall comply with the applicable Laws, and to cause all occupants of the Real Property to comply, with all current and future Laws relating to or imposing liability or standards of conduct concerning protection of health or the environment or hazardous substances ("Environmental Laws"). The Borrowers shall promptly, at the Borrowers' cost and expense, take all reasonable actions with respect to any Hazardous Substance or other environmental condition at, on, or under the Real Property necessary to (a) comply with all applicable Environmental Laws; (b) allow continued use, occupation or operation of the Real Property; or (c) maintain the fair market value of the Real Property.

Section 8.10. Other Debts. The Borrowers shall not have outstanding or incur any direct or contingent Debt (other than those to Lender), or become liable for the liabilities of others, without Lender's prior written consent. This does not prohibit:

- (a) Acquiring goods, supplies, or merchandise on normal trade credit.
- (b) Endorsing negotiable instruments received in the usual course of business.
- (c) Obtaining surety bonds in the usual course of business.
- (d) Additional Debt and lease obligations for the acquisition of fixed assets, to the extent permitted elsewhere in this Agreement.
- (e) Additional Debt for business purposes that does not exceed a total principal amount of One Hundred Thousand Dollars (\$100,000.00) outstanding at any one time.
- (f) Debt and lease obligations existing on the date hereof and disclosed to the Lender.

Section 8.11. Other Liens. The Borrowers shall not create, assume, or allow any Liens on any property of the Borrowers or any Collateral, except Permitted Liens.

Section 8.12. Maintenance of Assets.

(a) The Borrowers shall not sell, assign, lease, transfer or otherwise dispose of any part of Borrowers' respective businesses or assets, except (i) in the ordinary course of business, (ii) if the applicable transaction is between Greystone Logistics and one or more of its subsidiaries, or (iii) if the asset being sold, assigned, leased, transferred or otherwise disposed of is (A) obsolete, worn out or uneconomic, (B) no longer necessary for the business of the applicable Borrower, or (C) contemporaneously replaced by an asset of at least comparable value and use.

(b) The Borrowers shall not sell, assign, lease, transfer or otherwise dispose of any assets for less than fair market value, or enter into any agreement to do so.

(c) The Borrowers shall not enter into any sale and leaseback agreement covering any of its fixed assets.

(d) The Borrowers shall maintain and preserve all rights, privileges, and franchises any Borrower now has which are necessary to the conduct of their respective businesses.

(e) The Borrowers shall make any repairs, renewals, or replacements to keep Borrowers' properties in good working condition.

(f) Without otherwise limiting this [Section 8.11](#), the Borrowers shall not sell, assign, lease, transfer or otherwise convey any of their respective businesses or assets to Plastic Pallet Production, Inc., a Texas corporation.

Section 8.13. Change of Control. No Borrower shall cause, permit, or suffer any Change of Control.

Section 8.14. Additional Negative Covenants. The Borrowers shall not, without Lender's written consent:

(a) Enter into any consolidation, merger, or other combination, or become a partner in a partnership, a member of a joint venture, or a member of a limited liability company.

(b) Acquire or purchase a business or all or substantially all of its assets.

(c) Engage in any business activities substantially different from their present businesses.

(d) Liquidate or dissolve their respective businesses.

(e) Voluntarily suspend any Borrower's business for more than five (5) days in any ten (10) day period

Section 8.15. Notices to Lender. The Borrowers shall promptly notify Lender in writing of:

(a) Any lawsuit over Two Hundred Thousand Dollars (\$200,000) against any Borrower or any Obligor.

(b) Any Default or Event of Default under this Agreement.

(c) Any substantial dispute between any Tribunal and any Borrower or any Obligor.

(d) Any change in any Borrower's name, legal structure, principal residence (for an individual), state of registration (for a registered entity), place of business, or chief executive office if such Borrower has more than one place of business.

Section 8.16. Books and Records. The Borrowers shall maintain adequate books and records and allow Lender and its agents to examine, audit and make copies of books and records at any reasonable time. If any of Borrowers' books or records are in the possession of a third party, each Borrower authorizes that third party to permit Lender or its agents to have access to perform examinations or audits and to respond to Lender's requests for information concerning such books and records.

Section 8.17. Further Assurances. Upon request by Lender, the Borrowers shall perform all acts which may be necessary or advisable to perfect any Lien provided for in this Agreement or to carry out the intent of this Agreement.

Section 8.18. Inspections, Appraisals, Engineering Reports. The Borrowers shall allow Lender and its agents to visit the Real Property and the Collateral at any reasonable time for the purpose of inspecting the Collateral and conducting appraisals and/or engineering reports, and deliver to Lender any financial or other information concerning the Collateral as Lender may request. If no Default or Event of Default has occurred and is continuing, only one such inspection or appraisal per calendar year shall be at the expense of Borrower.

Section 8.19. ERISA Plans. Promptly during each year, the Borrowers shall pay and cause any of their subsidiaries to pay contributions adequate to meet at least the minimum funding standards under ERISA with respect to each and every Plan; file each annual report required to be filed pursuant to ERISA in connection with each Plan for each year; and notify the Lender within ten (10) days of the occurrence of any Reportable Event that might constitute grounds for termination of any capital Plan by the Pension Benefit Guaranty Corporation or for the appointment by the appropriate United States District Court of a trustee to administer any Plan. Capitalized terms in this Section have the meanings defined within ERISA.

Section 8.20. Use of Real Property; Indemnity. The Borrowers shall occupy the Real Property for the conduct of their regular business. The Borrowers shall not change their intended use of the Real Property without the Lender's prior written approval. The Borrowers shall jointly and severally indemnify, defend with counsel acceptable to Lender, and hold Lender harmless from and against all liabilities, claims, actions, damages, costs and expenses (including all legal fees and expenses of Lender's counsel) arising out of or resulting from the ownership, operation, or use of the Real Property, whether such claims are based on theories of derivative liability, comparative negligence or otherwise. Borrowers' obligations to Lender under this Section shall survive termination of this Agreement and repayment of the Obligations, and shall also survive as unsecured obligations after any acquisition by Lender of the Real Property or any part of it by foreclosure or any other means.

Section 8.21. Lender as Principal Depository. Borrowers shall maintain Lender or one of its Affiliates as its principal depository bank, including for the maintenance of business, cash management, operating and administrative deposit accounts.

Section 8.22. Insurance. The Borrowers shall cause all of the Collateral to be insured against loss or damage by fire or other risks usually insured against by owners or users of similar properties in similar businesses under an all-risk property policy on a replacement cost basis, as applicable, together with liability and other insurance covering such other hazards as Lender may from time to time request, and in amounts and in accordance with industry standards and from insurance companies and with deductibles or retentions satisfactory to Lender. Borrowers shall deliver certificates of insurance to Lender before closing of the Loans and before making any payment after each subsequent renewal of such insurance and when Lender so requests, and whether or not so delivered such policies and all proceeds thereof shall be security for all the Obligations. All such insurance policies shall contain coverages and endorsements in form satisfactory to Lender. All property insurance policies shall show Lender as sole loss payee and additional insured as its interest may appear. All liability insurance policies shall show Lender and its employees, officers, directors and agents, as additional insureds, and shall provide that such insurance is primary with respect to such additional insureds, and any other insurance maintained by such additional insureds is excess of and not contributory with insurance maintained by or on behalf of Borrowers. All such insurance shall contain a cancellation provision stating that the insurance policy shall only be cancelable with thirty (30) days prior written notice to Lender, except for ten (10) days notice for non-payment of premium. All insurance proceeds received by Lender shall be retained by Lender at its option after full consultation with Borrowers for application to the payment of such portion of the Obligations as Lender may determine in its sole discretion or shall be applied to repair any such insurable loss or damage. Borrowers shall promptly notify Lender of any material event or occurrence causing a loss or decline in value of property insured or the existence of an event justifying a claim under any insurance and, in both situations, the estimated amount thereof.

Section 8.23. Policies or Certificates of Insurance. The Borrowers shall promptly deliver to Lender valid certificates of such insurance which are required hereunder to be obtained and maintained by Borrowers. Such valid policies and certificates shall show that (i) such insurance is in full force and effect in accordance with the provisions of this Agreement, (ii) such insurance is non-cancelable without at least thirty (30) days' prior written notice to Lender sent by United States registered or certified mail, return receipt requested, except for ten (10) days notice for non-payment of premiums, (iii) written notice of any non-renewal of such policies shall be sent to Lender in the same manner as notice requirements for insurer provided the notice is at least thirty (30) days before the non-renewal date, and (iv) such insurance fully complies with the requirements of [Section 8.22](#) and this [Section 8.23](#), including the additional insured and waiver of subrogation requirements. Borrowers shall obtain before the expiration date of each policy maintained pursuant to [Section 8.22](#) and this [Section 8.23](#), a renewal or replacement thereof and deliver to Lender a valid policy and certificate of such renewal or replacement policy on or before the expiration date. If Borrowers fail to procure and maintain the insurance required under [Section 8.22](#) and this [Section 8.23](#), Lender shall have the right, but not be obligated, to procure such insurance on behalf of and at the cost of Borrowers. If any of the insurance required under [Section 8.22](#) and this [Section 8.23](#) is on a claims made basis, such insurance shall have a retroactive date the same as or before the date of this Agreement and shall remain in effect for at least two (2) years following the termination of this Agreement.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.1. Events of Default. Each of the following constitutes an “Event of Default” under this Agreement:

- (a) **Failure to Pay.** Borrowers fail to make a payment under this Agreement or any Loan Document when due.
- (b) **Other Agreements.** Any default occurs under any other agreement Borrowers have with Lender or any Affiliate of Lender after any applicable cure period.
- (c) **Cross-default.** Any default occurs under any agreement in connection with any credit Borrowers have obtained from anyone else or that any or all Borrowers have guaranteed, and such default continues unremedied for a period of thirty (30) days after the earlier of any Borrower’s knowledge of such default, the date on which any Borrower should have had knowledge of such default or the date notice thereof is given by the Lender to any Borrower.
- (d) **False Information.** Any information provided to Lender, or representations or warranties made to Lender, by any Borrower or any Obligor, is false or misleading in any material respect.
- (e) **Bankruptcy.** Any Borrower or any Obligor files a bankruptcy petition, a bankruptcy petition is filed against any of the foregoing parties and not dismissed within 30 days thereafter, or any Borrower or any Obligor makes a general assignment for the benefit of creditors.
- (f) **Receivers.** A receiver or similar official is appointed for any portion of any Borrower’s or any Obligor’s business, or the business is terminated or any Borrower is liquidated or dissolved.
- (g) **Lien Priority.** Lender fails to have a valid and enforceable perfected Lien on the Collateral (unless such failure is due to neglect on the Lender’s part), or such Lien fails to be before the rights and interest of others (except for any Permitted Liens), and such failure continues for period of thirty (30) days.
- (h) **Judgments.** Any judgments or arbitration awards are entered against any Borrower or any Obligor, or any Borrower or any Obligor enters into any settlement agreements with respect to any litigation or arbitration, in an aggregate amount of \$100,000 or more in excess of any insurance coverage and such judgment or arbitration award is not paid or stayed on appeal within 60 days thereafter.
- (i) **Death.** If any Obligor is a natural person, such Obligor dies or becomes legally incompetent.
- (j) **Material Adverse Change.** A material adverse change occurs in (i) the business, assets, operations or condition, financial or otherwise, of any Borrower or any Obligor, (ii) the ability of any Borrower or any Obligor to perform any of its obligations under this Agreement or any of the other Loan Documents to which it is a party, (iii) the Collateral, or the Lender’s Liens on the Collateral or the priority of such Liens, or (iv) the rights available to the Lender under the Loan Documents, and such material adverse changes is not remedied within thirty (30) days .
- (k) **Government Action.** Any Tribunal takes action that Lender reasonably believes materially adversely affects the financial condition or ability to repay or any Borrower or any Obligor.
- (l) **Default under Loan Documents.** Any default occurs under any of the other Loan Documents and is not remedied within any applicable cure period or any Borrower asserts that any such Loan Document is no longer in effect, or any Obligor purports to revoke or disavow its guaranty. Notwithstanding the foregoing, a default or an “Event of Default” under, and as defined in, the Mortgage or any guarantee, that is attributable solely to an “Event of Default” under the Greystone Real Estate Loan Agreement, is not an Event of Default under this Agreement.

(m) **Enumerated Breaches.** Any default or failure to perform by the Borrowers of any covenant, condition or agreement contained in [Section 8.1](#), [Section 8.2](#), [Section 8.3](#), [Section 8.4](#), [Section 8.5](#), [Section 8.6](#), [Section 8.7](#), [Section 8.8](#), [Section 8.13](#), [Section 8.14](#), [Section 8.15](#), [Section 8.19](#), [Section 8.22](#) or [Section 8.23](#).

(n) **Other Breach Under Agreement.** A breach or default occurs under any other term or condition of this Agreement not specifically referred to in this Article, and such breach or default continues unremedied for a period of thirty (30) days after the earlier of any Borrower's knowledge of such breach or default, the date on which any Borrower should have had knowledge of such breach or the date notice thereof is given by the Lender to any Borrower.

Section 9.2. Remedies. Upon the occurrence of an Event of Default, Lender may do one or more of the following without prior notice: declare Borrowers in default, stop making any additional credit available to Borrowers, and require Borrowers to repay the Obligations immediately. If a Default or an Event of Default has occurred and is continuing, Lender has no obligation to make advances or extend additional credit under this Agreement. In addition, if any Event of Default occurs, Lender shall have all rights, powers and remedies available under any of the Loan Documents or any of the instruments and agreements required by or executed in connection with this Agreement, as well as all rights and remedies available at law or in equity. If an Event of Default occurs under the paragraph entitled "Bankruptcy," above, with respect to any Borrower, then all Obligations will automatically be due immediately.

ARTICLE X

ENFORCING THIS AGREEMENT; MISCELLANEOUS

Section 10.1. Financial Information. Except as otherwise stated in this Agreement, all financial information provided to Lender and all financial covenants will be made in accordance with GAAP.

Section 10.2. Governing Law. This Agreement shall be governed by Oklahoma law, without regard to any conflict-of-law principles that would apply the law of any other jurisdiction.

Section 10.3. Successors and Assigns. This Agreement is binding on Borrowers' respective successors and assignees and will inure to the benefit of Lender's successors and assigns. Each Borrower agrees that it may not assign this Agreement without Lender's prior consent.

Section 10.4. Severability; Waivers. If any part of this Agreement is not enforceable, the rest of the Agreement may be enforced. Lender retains all rights. If Lender waives a default, it may enforce a later default. Any consent or waiver under this Agreement must be in writing.

Section 10.5. Attorneys' Fees. Borrowers shall reimburse Lender for any reasonable costs and attorneys' fees incurred by Lender in connection with the enforcement or preservation of any rights or remedies under this Agreement and any other documents executed in connection with this Agreement, and in connection with any amendment, waiver, "workout" or restructuring under this Agreement. In the event of a lawsuit or arbitration proceeding, the prevailing party is entitled to recover costs and reasonable attorneys' fees incurred in connection with the lawsuit or arbitration proceeding, as determined by the court or arbitrator. If any case is commenced by or against any Borrower under the Bankruptcy Code (Title 11, United States Code) or any similar or successor statute, Lender is entitled to recover costs and reasonable attorneys' fees incurred by Lender related to the preservation, protection, or enforcement of any rights of Lender in such a case.

Section 10.6. Set-Off.

(a) In addition to any rights and remedies of Lender provided by Law, upon the occurrence and during the continuance of any Event of Default under this Agreement, Lender is authorized, at any time, to set off and apply any and all Deposits of Borrowers or any Obligor held by Lender against any and all Obligations owing to Lender. The set-off may be made irrespective of whether or not Lender shall have made demand under this Agreement or any guaranty, and although such Obligations may be contingent or unmaturing or denominated in a currency different from that of the applicable Deposits.

(b) The set-off may be made without prior notice to Borrowers or any other party, any such notice being waived by Borrowers (on its own behalf and on behalf of each Obligor) to the fullest extent permitted by Law. Lender agrees promptly to notify Borrowers after any such set-off and application, but the failure to give such notice shall not affect the validity of such set-off and application.

(c) For the purposes of this paragraph, "Deposits" means any deposits (general or special, time or demand, provisional or final, individual or joint) and any instruments owned by any Borrower or any Obligor that comes into the possession or custody or under the control of Lender.

Section 10.7. One Agreement. This Agreement and any related mortgage, security or other agreements required by this Agreement, collectively (a) represent the sum of the understandings and agreements among Lender and Borrowers concerning this credit, (b) replace any prior oral or written agreements among Lender and Borrowers concerning this credit; and (c) are intended by Lender and Borrowers as the final, complete and exclusive statement of the terms agreed to by them. In the event of any conflict between this Agreement and any other agreements required by this Agreement, this Agreement will prevail.

Section 10.8. Indemnification. Borrowers shall jointly and severally indemnify and hold Lender harmless from any loss, liability, damages, judgments, and costs of any kind relating to or arising directly or indirectly out of (a) this Agreement or any document required hereunder, (b) any credit extended or committed by Lender to Borrowers hereunder, and (c) any litigation or proceeding related to or arising out of this Agreement, any such document, or any such credit, except to the extent any such loss, liability, etc. is the result of the Lender's own gross negligence, willful misconduct or bad faith. This indemnity includes but is not limited to attorneys' fees (including the allocated cost of in-house counsel). This indemnity extends to Lender, its parent, subsidiaries and all of their directors, officers, employees, agents, successors, attorneys, and assigns. This indemnity will survive repayment of Borrowers' obligations to Lender. All sums due to Lender hereunder shall be joint and several obligations of the Borrowers, due and payable immediately without demand.

Section 10.9. Notices. Unless otherwise provided in this Agreement or in another agreement between Lender and Borrowers, all notices required under this Agreement shall be in writing. Notice sent by mail must be personally delivered or sent by first class mail, postage prepaid, or by overnight courier, to the addresses on the signature page of this Agreement, or to such other addresses as Lender and Borrowers may specify from time to time in writing. Notices sent by electronic mail should be sent to the e-mail address designated by the receiving party in writing. Notices and other communications shall be effective (i) if mailed, upon the earlier of receipt or five (5) days after deposit in the U.S. mail, first class, postage prepaid, (ii) if hand-delivered, by courier or otherwise (including telegram, lettergram or mailgram), when delivered, or (iii) if sent by electronic mail with confirmation of transmission by the transmitting software or equipment with a subject line or heading that says "IMPORTANT NOTICE RELATING TO GREYSTONE LOGISTICS LOAN AGREEMENT" (or a similar heading).

Section 10.10. Headings. Article and paragraph headings are for reference only and shall not affect the interpretation or meaning of any provisions of this Agreement.

Section 10.11. Counterparts. This Agreement may be executed in as many counterparts as necessary or convenient, and by the different parties on separate counterparts each of which, when so executed, shall be deemed an original but all such counterparts shall constitute but one and the same agreement.

Section 10.12. Borrower Information; Reporting to Credit Bureaus. Each Borrower authorizes Lender at any time to verify or check any information given by such Borrower to Lender, check such Borrower's credit references, verify employment, and obtain credit reports. Borrowers agree that Lender shall have the right at all times to disclose and report to credit reporting agencies and credit rating agencies such information pertaining to Borrowers and/or all guarantors as is consistent with Lender's policies and practices from time to time in effect.

Section 10.13. Supplements Security Agreement and Mortgage. The provisions of this Agreement are not intended to supersede the provisions of the Security Instruments but shall be construed as supplemental thereto. During the continuance of this Agreement, if there is inconsistency between this Agreement and any Security Instrument, this Agreement shall be controlling.

Section 10.14. USA PATRIOT Act Notice. IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT. To help the government fight the funding of terrorism and money laundering activities, federal Law requires all financial institutions to obtain, verify, and record information that identifies each person or entity that opens an account, including any deposit account, treasury management account, loan, other extension of credit, or other financial services product. What this means for Borrowers: When a Borrower opens an account, Lender will ask for that Borrower's name, residential address, tax identification number, and other information that will allow Lender to identify Borrower, including Borrower's date of birth if Borrower is an individual. Lender may also ask, if Borrower is an individual, to see Borrower's driver's license or other identifying documents, and, if Borrower is not an individual, to see Borrower's legal organizational documents or other identifying documents. Lender will verify and record the information Lender obtain from Borrower pursuant to the USA PATRIOT Act, and will maintain and retain that record in accordance with the regulations promulgated under the USA PATRIOT Act.

Section 10.15. Not a Reportable Transaction. The parties signatory hereto acknowledge and stipulate and Borrowers represent to Lender that the transactions contemplated by this Agreement do not constitute a "Reportable Event" as that term is described and defined in regulations of the Treasury Department of the United States.

Section 10.16. Dispute Resolution. LENDER AND BORROWERS AGREE TO ARBITRATION AS FOLLOWS (hereinafter referred to as the "Arbitration Provisions"):

(a) SPECIAL PROVISIONS AND DEFINITIONS APPLICABLE TO BOTH CONSUMER DISPUTES AND BUSINESS DISPUTES:

(i) **Informal Resolution of Customer Concerns.** Most customer concerns can be resolved quickly and to the customer's satisfaction by contacting Borrowers' account officer, branch manager or by calling the Customer Service Department in the appropriate region. The region and numbers are:

1. Laredo 956-722-7611
2. Austin 512-397-4506
3. Brownsville 956-547-1000
4. Commerce Bank 956-724-1616
5. Corpus Christi 361-888-4000
6. Eagle Pass 830-773-2313
7. Houston 713-526-1211
8. McAllen 956-686-0263
9. Oklahoma 405-841-2100
10. Port Lavaca 361-552-9771
11. San Antonio 210-518-2500
12. Zapata 956-765-8361

In the unlikely event that the applicable account officer, branch manager or the customer service department is unable to resolve a complaint to Borrowers' satisfaction or if Lender has not been able to resolve a dispute it has with Borrowers after attempting to do so informally, Borrowers and Lender agree to resolve those disputes through binding arbitration or small claims court instead of in courts of general jurisdiction.

(ii) **Sending Notice of Dispute.** If either Borrowers or Lender intends to seek arbitration, then Borrowers or Lender must first send to the other by certified mail, return receipt requested, a written Notice of Dispute. The Notice of Dispute to Lender should be addressed to: Dennis E. Nixon, President, at International Bancshares Corporation, P.O. Drawer 1359, Laredo, Texas 78042-1359 or if by email, ibcchairman@ibc.com (special email address to be provided by IBC). The Notice of Dispute must (A) describe the nature and basis of the claim or dispute; and (B) explain specifically what relief is sought. Borrowers may download a copy of the Notice of Dispute at www.ibc.com or may obtain a copy from its account officer or branch manager.

(iii) **If the Dispute is not Informally Resolved.** If Borrowers and Lender do not reach an agreement to resolve the claim or dispute within thirty (30) days after the Notice of Dispute is received, Borrowers or Lender may commence a binding arbitration proceeding. During the binding arbitration proceeding, any settlement offers made by Borrowers or Lender shall not be disclosed to the Arbitrator.

(iv) **"DISPUTE(S)".** As used herein, the word "Dispute(s)" includes any and all controversies or claims between the parties of whatever type or manner, including without limitation, any and all claims arising out of or relating to this Agreement or the other Loan Documents, compliance with applicable laws and/or regulations, any and all services or products provided by Lender, any and all past, present and/or future loans, lines of credit, letters of credit, credit facilities or other form of indebtedness and/or agreements involving the parties, any and all transactions between or involving the parties, and/or any and all aspects of any past or present relationship of the parties, whether banking or otherwise, specifically including but not limited to any claim founded in contract, tort, fraud, fraudulent inducement, misrepresentation or otherwise, whether based on statute, regulation, common law or equity.

(v) **"CONSUMER DISPUTE" and "BUSINESS DISPUTE".** As used herein, "Consumer Dispute" means a Dispute relating to an account (including a deposit account), agreement, extension of credit, loan, service or product provided by Lender that is primarily for personal, family or household purposes. "Business Dispute" means any Dispute that is not a Consumer Dispute.

(vi) **“PARTIES” or “PARTY”**. As used in these Arbitration Provisions, the term “parties” or “party” means Lender and each Borrower, and each and all persons and entities signing this Loan Agreement, any other Loan Documents, or any other agreements between or among any of the parties as part of this transaction. “Parties” or “party” shall be broadly construed and include individuals, beneficiaries, partners, limited partners, limited liability members, shareholders, subsidiaries, parent companies, affiliates, officers, directors, employees, heirs, agents and/or representatives of any party to such documents, any other person or entity claiming by or through one of the foregoing and/or any person or beneficiary who receives products or services from Lender and shall include any other owner and holder of the Notes. Throughout these Arbitration Provisions, the term “Arbitrator” refers to the individual arbitrator or panel of arbitrators, as the case may be, before which the Dispute is arbitrated.

(vii) **BINDING ARBITRATION**. The parties agree that any Dispute between the parties shall be resolved by mandatory binding arbitration pursuant to these Arbitration Provisions at the election of either party. **BY AGREEING TO RESOLVE A DISPUTE IN ARBITRATION, THE PARTIES ARE WAIVING THEIR RIGHT TO A JURY TRIAL OR TO LITIGATE IN COURT**(except for matters that may be taken to small claims court for a Consumer Dispute as provided below).

(viii) **CLASS ACTION WAIVER**. The parties agree that (A) no arbitration proceeding hereunder whether a Consumer Dispute or a Business Dispute shall be certified as a class action or proceed as a class action, or on a basis involving claims brought in a purported representative capacity on behalf of the general public, other customers or potential customers or persons similarly situated, and (B) no arbitration proceeding hereunder shall be consolidated with, or joined in any way with, any other arbitration proceeding. **THE PARTIES AGREE TO ARBITRATE A CONSUMER DISPUTE OR A BUSINESS DISPUTE ON AN INDIVIDUAL BASIS AND EACH WAIVES THE RIGHT TO PARTICIPATE IN A CLASS ACTION.**

(ix) **FEDERAL ARBITRATION ACT AND TEXAS LAW**. The parties acknowledge that this Loan Agreement evidences a transaction involving interstate commerce. The Federal Arbitration Act shall govern (A) the interpretation and enforcement of these Arbitration Provisions, and (B) all arbitration proceedings that take place pursuant to these Arbitration Provisions. **THE PARTIES AGREE THAT TEXAS SUBSTANTIVE LAW WILL APPLY IN ANY BINDING ARBITRATION PROCEEDING OR SMALL CLAIMS COURT ACTION REGARDLESS OF WHO INITIATES THE PROCEEDING, WHERE BORROWER RESIDES OR WHERE THE DISPUTE AROSE, UNLESS EXPRESSLY PROHIBITED BY LAW.**

(b) PROVISIONS APPLICABLE ONLY TO A CONSUMER DISPUTE:

(i) Any and all Consumer Disputes shall be resolved by arbitration administered by the American Arbitration Association (“AAA”) under the Commercial Arbitration Rules and the Supplemental Procedures for Resolution of Consumer - Disputes and Consumer Due Process Protocol (which are incorporated herein for all purposes). It is intended by the parties that these Arbitration Provisions meet and include all fairness standards and principles of the American Arbitration Association’s Consumer Due Process Protocol and due process in predispute arbitration. If a Consumer Dispute is for a claim of actual damages above \$250,000 it shall be administered by the AAA before three neutral arbitrators at the request of any party.

(ii) Instead of proceeding in arbitration, any party hereto may pursue its claim in local small claims court, if the Consumer Dispute meets the small claims court’s jurisdictional limits. If the small claims court option is chosen, the party pursuing the claim must contact the small claims court directly. **The parties agree that the class action waiver provision also applies to any Consumer Dispute brought in small claims court.**

(iii) For any claim for actual damages that does not exceed \$2,500, Lender will pay all arbitration fees and costs provided Borrowers submitted a Notice of Dispute with regard to the Consumer Dispute prior to initiation of arbitration. For any claim for actual damages that does not exceed \$5,000, Lender also agrees to pay Borrowers’ reasonable attorney’s fees and reasonable expenses Borrowers’ attorney charges Borrowers in connection with the arbitration (even if the Arbitrator does not award those to Borrowers) plus an additional \$2,500 if Borrowers obtain a favorable arbitration award for its actual damages which is greater than any written settlement offer for its actual damages made by Lender to Borrowers prior to the selection of the Arbitrator.

(iv) Under the AAA’s Supplemental Procedures for Consumer Disputes, if Borrowers’ claim for actual damages does not exceed \$10,000, Borrowers shall only be responsible for paying up to a maximum of \$125 in arbitration fees and costs. If Borrowers’ claim for actual damages exceeds \$10,000 but does not exceed \$75,000, Borrowers shall only be responsible for paying up to a maximum of \$375 in arbitration fees and costs. For any claim for actual damages that does not exceed \$75,000, Lender will pay all other arbitrator’s fees and costs imposed by the administrator of the arbitration. With regard to a Consumer Dispute for a claim of actual damages that exceeds \$75,000, or if the claim is a non-monetary claim, Lender agrees to pay all arbitration fees and costs Borrowers would otherwise be responsible for that exceed \$1,000. The fees and costs stated above are subject to any amendments to the fee and cost schedules of the AAA. The fee and cost schedule in effect at the time Borrowers submit their claim shall apply. The AAA rules also permit Borrowers to request a waiver or deferral of the administrative fees and costs of arbitration if paying them would cause Borrowers financial hardship.

(v) Although under some laws, Lender may have a right to an award of attorney’s fees and expenses if it prevails in arbitration, Lender agrees that it will not seek such an award in a binding arbitration proceeding with regard to a Consumer Dispute for a claim of actual damages that does not exceed \$75,000.

(vi) To request information on how to submit an arbitration claim, or to request a copy of the AAA rules or fee schedule, Borrowers may contact the AAA at 1-800-778-7879 (toll free) or at www.adr.org

(c) PROVISIONS APPLICABLE ONLY TO A BUSINESS DISPUTE:

(i) Any and all Business Disputes between the parties shall be resolved by arbitration in accordance with the Commercial Arbitration Rules of the AAA in effect at the time of filing, as modified by, and subject to, these Arbitration Provisions. A Business Dispute for a claim of actual damages that exceeds \$250,000 shall be administered by AAA before at least three (3) neutral arbitrators at the request of any party. In the event the aggregate of all affirmative claims asserted exceeds \$500,000, exclusive of interest and attorney's fees, or upon the written request of any party, the arbitration shall be conducted under the AAA Procedures for Large, Complex Commercial Disputes. If the payment of arbitration fees and costs will cause Borrowers extreme financial hardship Borrowers may request that AAA defer or reduce the administrative fees or request Lender to cover some of the arbitration fees and costs that would be Borrowers' responsibility.

(ii) The parties shall have the right to (A) invoke self-help remedies (such as setoff, notification of account debtors, seizure and/or foreclosure of collateral, and non-judicial sale of personal property and real property collateral) before, during or after any arbitration, and/or (B) request ancillary or provisional judicial remedies (such as garnishment, attachment, specific performance, receiver, injunction or restraining order, and sequestration) before or after the commencement of any arbitration proceeding (individually, and not on behalf of a class). The parties need not await the outcome of the arbitration proceeding before using self-help remedies. Use of self-help or ancillary and/or provisional judicial remedies shall not operate as a waiver of either party's right to compel arbitration. Any ancillary or provisional judicial remedy which would be available from a court at law shall be available from the Arbitrator.

(iii) Except to the extent the recovery of any type or types of damages or penalties may not be waived under applicable law, the Arbitrator shall not have the authority to award either party (A) punitive, exemplary, special or indirect damages, (B) statutory multiple damages, or (C) penalties, statutory or otherwise.

(iv) The Arbitrator may award attorney's fees and costs including the fees, costs and expenses of arbitration and of the Arbitrator as the Arbitrator deems appropriate to the prevailing party. The Arbitrator shall retain jurisdiction over questions of attorney's fees for fourteen (14) days after entry of the decision.

(d) GENERAL PROVISIONS APPLICABLE TO BOTH CONSUMER DISPUTES AND BUSINESS DISPUTES:

(i) The Arbitrator is bound by the terms of these Arbitration Provisions. The Arbitrator shall have exclusive authority to resolve any Disputes relating to the scope or enforceability of these Arbitration Provisions, including (A) all arbitrability questions, and (B) any claim that all or a part of these Arbitration Provisions are void or voidable (including any claims that they are unconscionable in whole or in part).

(ii) These Arbitration Provisions shall survive any termination, amendment, or expiration of this Loan Agreement, the Note, or any other Loan Document, unless all of the parties otherwise expressly agree in writing.

(iii) If a party initiates legal proceedings, the failure of the initiating party to request arbitration pursuant to these Arbitration Provisions within 180 days after the filing of the lawsuit shall be deemed a waiver of the initiating party's right to compel arbitration with respect to the claims asserted in the litigation. The failure of the defending party in such litigation to request arbitration pursuant to these Arbitration Provisions within 180 days after the defending party's receipt of service of judicial process, shall be deemed a waiver of the right of the defending party to compel arbitration with respect to the claims asserted in the litigation. If a counterclaim, cross-claim or third party action is filed and properly served on a party in connection with such litigation, the failure of such party to request arbitration pursuant to these Arbitration Provisions within ninety (90) days after such party's receipt of service of the counterclaim, cross-claim or third party claim shall be deemed a waiver of such party's right to compel arbitration with respect to the claims asserted therein. The issue of waiver pursuant to these Arbitration Provisions is an arbitrable dispute. Active participation in any pending litigation described above by a party shall not in any event be deemed a waiver of such party's right to compel arbitration. All discovery obtained in the pending litigation may be used in any subsequent arbitration proceeding.

(iv) Any party seeking to arbitrate shall serve a written notice of intent to any and all opposing parties after a Dispute has arisen. The parties agree a timely written notice of intent to arbitrate by either party pursuant to these Arbitration Provisions shall stay and/or abate any and all action in a trial court, save and except a hearing on a motion to compel arbitration and/or the entry of an order compelling arbitration and staying and/or abating the litigation pending the filing of the final award of the Arbitrator.

(v) Any Arbitrator selected shall be knowledgeable in the subject matter of the Dispute and be licensed to practice law.

(vi) For a one (1) member arbitration panel, the parties are limited to an equal number of strikes in selecting the arbitrator from the AAA neutral list, such that at least one arbitrator remains after the parties exercise all of their respective strikes. For a three (3) member arbitration panel, the parties are limited to an equal number of strikes in selecting the arbitrators from the AAA neutral list, such that at least three arbitrators remain after the parties exercise all of their respective strikes. After exercising all of their allotted respective strikes, the parties shall rank those potential arbitrators remaining numerically in order of preference (with "1" designating the most preferred). The AAA shall review the parties' rankings and assign a score to each potential arbitrator by adding together the ranking given to such potential arbitrator by each party. The arbitrator(s) with the lowest score total(s) will be selected. In the event of a tie or ties for lowest score total and if the selection of both or all of such potential arbitrators is not possible due to the required panel size, the AAA shall select the arbitrator(s) it believes to be best qualified.

(vii) The parties and the Arbitrator shall treat all aspects of the arbitration proceedings, including, without limitation, any documents exchanged, testimony and other evidence, briefs and the award, as strictly confidential; provided, however, that a written award or order from the Arbitrator may be filed with any court having jurisdiction to confirm and/or enforce such award or order.

(viii) Any statute of limitation which would otherwise be applicable shall apply to any claim asserted in any arbitration proceeding under these Arbitration Provisions, and the commencement of any arbitration proceeding tolls such statute of limitations.

(ix) If the AAA is unable for any reason to provide arbitration services, then the parties agree to select another arbitration service provider that has the ability to arbitrate the Dispute pursuant to and consistent with these Arbitration Provisions. If the parties are unable to agree on another arbitration service provider, any party may petition a court of competent jurisdiction to appoint an Arbitrator to administer the arbitration proceeding pursuant to and consistent with these Arbitration Provisions.

(x) The award of the Arbitrator shall be final and Judgment upon any such award may be entered in any court of competent jurisdiction. The arbitration award shall be in the form of a written reasoned decision and shall be based on and consistent with applicable law.

(xi) Unless the parties mutually agree to hold the binding arbitration proceeding elsewhere, venue of any arbitration proceeding under these Arbitration Provisions shall be in Tulsa County, Oklahoma.

(xii) If any of these Arbitration Provisions are held to be invalid or unenforceable, the remaining provisions shall be enforced without regard to the invalid or unenforceable term or provision.

Section 10.17. SUBMISSION TO JURISDICTION. IF ANY JUDICIAL PROCEEDING IS BROUGHT BY LENDER UNDER THE TERMS OF THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS, EACH BORROWER HEREBY CONSENTS TO THE JURISDICTION OF ANY OF THE LOCAL, STATE, AND FEDERAL COURTS LOCATED WITHIN TULSA COUNTY, OKLAHOMA AND WAIVES ANY OBJECTION WHICH SUCH BORROWER MAY HAVE BASED ON IMPROPER VENUE OR FORUM NON CONVENIENS TO THE CONDUCT OF ANY PROCEEDING IN ANY SUCH COURT AND WAIVES PERSONAL SERVICE OR ANY AND ALL PROCESS UPON IT, AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS BE MADE BY MAIL OR MESSENGER DIRECTED TO IT AT THE ADDRESS SET FORTH BELOW AND THAT SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED UPON THE EARLIER OF ACTUAL RECEIPT OR THREE (3) BUSINESS DAYS AFTER MAILED OR DELIVERED BY MESSENGER. NOTHING HEREIN SHALL AFFECT THE RIGHT OF LENDER TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST BORROWERS IN ANY OTHER JURISDICTION.

Section 10.18. WAIVER OF JURY TRIAL. WITHOUT INTENDING IN ANY WAY TO LIMIT THE PARTIES' AGREEMENT TO ARBITRATE ANY "DISPUTE" AS SET FORTH IN THIS AGREEMENT, TO THE EXTENT ANY "DISPUTE" IS NOT SUBMITTED TO ARBITRATION OR IS DEEMED BY THE ARBITRATOR OR BY ANY COURT WITH JURISDICTION TO BE NOT ARBITRABLE OR NOT REQUIRED TO BE ARBITRATED, THE PARTIES HERETO WAIVE TRIAL BY JURY IN RESPECT OF ANY SUCH "DISPUTE" AND ANY ACTION ON SUCH "DISPUTE." THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE BY THE PARTIES HERETO, AND THE PARTIES HERETO HEREBY REPRESENT THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY PERSON OR ENTITY TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS AGREEMENT. THE PARTIES HERETO ARE EACH HEREBY AUTHORIZED TO FILE A COPY OF THIS SECTION IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER OF JURY TRIAL. EACH PARTY HERETO FURTHER REPRESENTS AND WARRANTS THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS AGREEMENT AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT LEGAL COUNSEL SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

Section 10.19. Maximum Rate of Interest. In no event shall the amount or rate of interest due and payable under this Agreement exceed the maximum amount or rate of interest allowed by applicable Law, and, in the event any such excess payment is made by Borrowers or received by Lender, such excess sum shall be credited as a payment of principal or be refunded to Borrowers, at the option of Lender. It is the express intent hereof that Borrowers not pay and Lender not receive, directly or indirectly, interest in excess of that which may be paid under applicable Law.

[SIGNATURE PAGES ATTACHED]

IN WITNESS WHEREOF, the parties hereto have executed this Loan Agreement the date first above written.

“BORROWERS”

GREYSTONE LOGISTICS, INC., an Oklahoma corporation

By: /s/ Warren F. Kruger

Warren F. Kruger, President/CEO

GREYSTONE MANUFACTURING, L.L.C., an Oklahoma limited liability company

By: /s/ Warren F. Kruger

Warren F. Kruger, Manager

Address for Notice Purposes:

Greystone Logistics, Inc.

Attn: Warren F. Kruger

1613 East 15th

Tulsa, OK 74120

IN WITNESS WHEREOF, the parties hereto have executed this Loan Agreement the date first above written.

“LENDER”

INTERNATIONAL BANK OF COMMERCE, a Texas state banking association

By: /s/ Andrew J. Levinson

Andrew J. Levinson,

Senior Vice President

Address for notices:

International Bank of Commerce

2250 East 73rd Street

Tulsa, Oklahoma 74136

Attention: Andrew J. Levinson

Facsimile: (918) 497-2497

PROMISSORY NOTE

(Revolving Loan)

\$2,500,000.00

January 31, 2014

FOR VALUE RECEIVED, **GREYSTONE LOGISTICS, INC.**, an Oklahoma corporation, and **GREYSTONE MANUFACTURING, L.L.C.**, an Oklahoma limited liability company (collectively, the "Borrowers" and each individually, a "Borrower"), hereby jointly and severally promise to pay to the order of **INTERNATIONAL BANK OF COMMERCE**, a Texas state banking association (together with any and all of its successors and assigns and/or any other holder of this Note, the "Lender"), the principal sum of TWO MILLION FIVE-HUNDRED THOUSAND AND 00/100 DOLLARS (\$2,500,000.00), or so much thereof as has been advanced by the Lender, in legal and lawful money of the United States of America, with interest as it accrues on the outstanding principal balance from the date of this Note until paid. This Promissory Note (this "Note") is executed pursuant to, and is the "Revolving Note" described in, the Loan Agreement of even date herewith among the Borrowers and the Lender (as it may be amended, modified or restated from time to time, the "Loan Agreement"). Capitalized terms used but not defined in this Note have the meanings assigned to them in the Loan Agreement.

Interest will accrue on the outstanding principal balance of this Note at a rate per annum equal to the greater of (i) the floating "Prime Rate" (defined below) as it fluctuates from time to time, plus one half of one percent (0.5%), and (ii) four percent (4.00%), but will not exceed the highest non-usurious rate of interest permitted by (i) Oklahoma Law or (ii) United States Federal Law, if and only if Federal Law permits a higher interest rate (the "Maximum Rate"). The interest rate effective as of the date of this Note is 4.00% per annum. The rate of interest due on this Note will be recomputed as of the date of any change in the Prime Rate.

The Borrowers shall pay all interest accrued on the outstanding principal amount hereof on February 28, 2014, and continuing on the last day of each month thereafter until January 31, 2016 (the "Maturity Date"). A final payment of all unpaid principal and accrued interest is due and payable on the Maturity Date, if not previously paid in full. This Note evidences a revolving credit facility. During the availability period, the Borrowers may repay principal amounts and reborrow them. The Borrowers agree not to permit the principal balance of this Note at any one time to exceed the lesser of (i) the Revolving Commitment, and (ii) the Borrowing Base. If the Borrowers exceed this limit, the Borrowers shall immediately pay the excess to the Lender.

Lender will apply each payment as of its scheduled due date and in the order of application as Lender elects in its sole discretion. **All payments will be made to the Lender by mailing payment to P.O. Box 26020, Oklahoma City, OK 73126-0020 or by delivering payment in person at 2250 E. 73rd Street, Tulsa, OK 74136.**

The principal of this Note may be prepaid in whole or in part at any time, without premium or penalty.

The "Prime Rate" is the NEW YORK PRIME RATE, which for purposes of this Note means the annual lending rate of interest announced from time to time by JPMorgan Chase Bank, N.A. as its prime rate. If JPMorgan Chase Bank, N.A. does not announce its prime rate, then the IBC Prime Rate minus one percent (1%) will be the Prime Rate. The IBC Prime Rate is the annual lending rate of interest announced from time to time by International Bank of Commerce as its prime rate.

Use of either the New York Prime Rate or the IBC Prime Rate is not a warranty or representation by Lender that such rate is more favorable than another rate or index, that rates on other loans or credit facilities may not be based on other indices or that rates on loans to others may not be made below such prime rate.

Interest under this Note is calculated on a 360-day factor applied on a 365-day year or a 366-day year (if the year is a leap year) on the unpaid principal to the date of each installment paid. Notwithstanding anything to the contrary contained in this Note or the other Loan Documents, interest under this Note shall not exceed the Maximum Rate. If the calculation of interest on the principal sum of this Note results in the interest rate in effect under this Note exceeding the Maximum Rate, then such interest will be recalculated on the basis of the actual number of days elapsed in the period for which interest is being calculated and a year of 365 or 366 days, as applicable.

To the extent allowed by Law, matured unpaid amounts will bear interest computed on a full calendar year 365/365 days basis, or on a 366/366 days basis (if the year is a leap year), at a rate of interest equal to the lesser of (a) four percent (4%) per annum above the rate then in effect, or (ii) the Maximum Rate.

If any payment required under this Note is not made within ten (10) days from the due date, Lender may in its sole discretion, to the extent permitted by law, require the Borrowers to pay a one-time "late charge" per late payment equal to five percent (5%) of the amount of the past due principal and interest of such payment, with a minimum of \$10.00 and a maximum of \$1,500.00 per late payment. The "late charge" may be assessed without notice, and shall be immediately due and payable. This provision is inapplicable if the outstanding indebtedness under the Note is accelerated in full.

The Borrowers shall pay all outstanding unpaid principal, all accrued and unpaid interest, and all fees accrued and unpaid late charges, and/or other charges incurred in this transaction by, or for the benefit of the Borrowers, that remain due and owing, on the Maturity Date.

If all or a part of the indebtedness represented by this Note is collected at Law or in equity or in bankruptcy, receivership or other court proceedings or if this Note is placed in the hands of attorneys for collection after default, each Borrower and any endorser or guarantor hereof agree to pay hereunder, in addition to the principal and interest due and payable hereon, reasonable attorneys' fees, court costs and other collection expenses incurred by the holder hereof.

Each Borrower and any endorser or guarantor hereof hereby waive presentment for payment, demand, notice of nonpayment, protest and notice of protest with respect to any payment hereunder and agree to any extension of time with respect to any payment due hereunder, to any substitution or release of the security or collateral described in the Security Instruments and to the addition or release of any party liable hereunder. No delay on the part of the holder hereof in exercising any rights hereunder shall operate as a waiver of such rights.

This Note and the indebtedness evidenced hereby shall be construed and enforced in accordance with and governed by the Law of the State of Oklahoma, without regard to any conflict-of-law principles that would apply the Law of any other jurisdiction.

Each of the undersigned, as a Borrower, and all others who are or become parties primarily or secondarily liable on this Note, whether as endorsers, guarantors or otherwise, hereby agree that this Note may be renewed one or more times, the time for payment of this Note or any renewal Note extended, the interest rate or other terms of the indebtedness evidenced hereby changed, any party released, or any action taken or omitted with respect to any collateral security, including surrender of such security or failure to perfect any lien thereon, without notice or without releasing any of them, except as otherwise expressly agreed in writing, and the obligation of such party shall survive whether or not the instrument evidencing such obligation shall have been surrendered or canceled. All such parties waive presentment, demand for payment, protest and notice of nonpayment or dishonor and agree that failure of this holder to exercise any of its rights hereunder in any instance shall not constitute a waiver thereof in that or any other instance.

This Note is non-assumable by any successor to or assignee of the Borrowers without the Lender's prior written approval. If the Lender approves any such assumption, the terms of this Note shall be binding upon the Borrowers' respective successors and assigns. The terms of this Note shall inure to the benefit of the Lender and its successors and assigns.

EACH BORROWER HEREBY AGREES TO SUBMIT TO THE JURISDICTIONAL PROVISIONS SET FORTH IN SECTION 10.17 OF THE LOAN AGREEMENT, INCORPORATED HEREIN BY REFERENCE AND EXPRESSLY MADE APPLICABLE IN ITS ENTIRETY TO THIS NOTE AND THE BORROWERS.

EACH BORROWER AGREES THAT ANY AND ALL CONTROVERSIES OR CLAIMS ARISING OUT OF THIS NOTE, ITS NEGOTIATION AND/OR THE BREACH THEREOF, WILL BE RESOLVED AS SET FORTH IN

SECTION 10.16 OF THE LOAN AGREEMENT, INCORPORATED HEREIN BY REFERENCE AND EXPRESSLY MADE APPLICABLE IN ITS ENTIRETY TO THIS NOTE AND THE BORROWERS.

WITHOUT INTENDING IN ANY WAY TO LIMIT THE PARTIES' AGREEMENT TO ARBITRATE ANY DISPUTE AS SET FORTH IN THE LOAN AGREEMENT (AND INCORPORATED BY REFERENCE INTO THIS NOTE), TO THE EXTENT ANY DISPUTE IS NOT SUBMITTED TO ARBITRATION OR IS DEEMED BY THE ARBITRATOR OR BY ANY COURT WITH JURISDICTION TO BE NOT ARBITRABLE OR NOT REQUIRED TO BE ARBITRATED, EACH BORROWER WAIVES TRIAL BY JURY IN RESPECT OF ANY SUCH DISPUTE AND ANY ACTION ON SUCH DISPUTE. THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE BY EACH BORROWER, AND EACH BORROWER HEREBY REPRESENTS THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY PERSON OR ENTITY TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THE LOAN DOCUMENTS. EACH BORROWER IS HEREBY AUTHORIZED TO FILE A COPY OF THIS SECTION IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER OF JURY TRIAL. EACH BORROWER FURTHER REPRESENTS AND WARRANTS THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS AGREEMENT AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT LEGAL COUNSEL SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

EACH BORROWER ACKNOWLEDGES EXECUTION OF THIS NOTE AND HAVING READ ALL OF ITS PROVISIONS AND AGREES TO ITS TERMS.

THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[SIGNATURE PAGE ATTACHED]

THIS PROMISSORY NOTE is dated and effective as of the first date indicated on the first page hereto.

BORROWERS:

GREYSTONE LOGISTICS, INC., an Oklahoma corporation

By: /s/ Warren F. Kruger

Warren F. Kruger, President/CEO

GREYSTONE MANUFACTURING, L.L.C., an Oklahoma limited liability company

By: /s/ Warren F. Kruger

Warren F. Kruger, Manager

PROMISSORY NOTE

(Equipment Term Loan)

\$9,200,000.00

January 31, 2014

FOR VALUE RECEIVED, **GREYSTONE LOGISTICS, INC.**, an Oklahoma corporation, and **GREYSTONE MANUFACTURING, L.L.C.**, an Oklahoma limited liability company (collectively, the "Borrowers" and each individually, a "Borrower"), hereby jointly and severally promise to pay to the order of **INTERNATIONAL BANK OF COMMERCE**, a Texas state banking association (together with any and all of its successors and assigns and/or any other holder of this Note, the "Lender"), the principal sum of NINE MILLION TWO-HUNDRED THOUSAND AND 00/100 DOLLARS (\$9,200,000.00), in legal and lawful money of the United States of America, with interest as it accrues on the outstanding principal balance from the date of this Note until paid. This Promissory Note (this "Note") is executed pursuant to, and is the "Equipment Term Note" described in, the Loan Agreement of even date herewith among the Borrowers and the Lender (as it may be amended, modified or restated from time to time, the "Loan Agreement"). Capitalized terms used but not defined in this Note have the meanings assigned to them in the Loan Agreement.

Interest will accrue on the outstanding principal balance of this Note at a fixed rate per annum of four and one half percent (4.50%), but will not exceed the highest non-usurious rate of interest permitted by (i) Oklahoma Law or (ii) United States Federal Law, if and only if Federal Law permits a higher interest rate (the "Maximum Rate").

The Borrowers shall make equal payments of principal and interest in an amount sufficient to amortize the initial principal balance hereof over five (5) years, commencing on February 28, 2014, and continuing on the last day of each month thereafter until January 31, 2019 (the "Maturity Date"). A final payment of all unpaid principal and accrued interest is due and payable on the Maturity Date, if not previously paid in full. Principal amounts repaid under this Note may not be reborrowed.

Lender will apply each payment as of its scheduled due date and in the order of application as Lender elects in its sole discretion. **All payments will be made to the Lender by mailing payment to P.O. Box 26020, Oklahoma City, OK 73126-0020 or by delivering payment in person at 2250 E. 73rd Street, Tulsa, OK 74136.**

The principal of this Note may be prepaid in whole or in part at any time, without premium or penalty.

Interest under this Note is calculated on a 360-day factor applied on a 365-day year or a 366-day year (if the year is a leap year) on the unpaid principal to the date of each installment paid. Notwithstanding anything to the contrary contained in this Note or the other Loan Documents, interest under this Note shall not exceed the Maximum Rate. If the calculation of interest on the principal sum of this Note results in the interest rate in effect under this Note exceeding the Maximum Rate, then such interest will be recalculated on the basis of the actual number of days elapsed in the period for which interest is being calculated and a year of 365 or 366 days, as applicable.

To the extent allowed by Law, matured unpaid amounts will bear interest computed on a full calendar year 365/365 days basis, or on a 366/366 days basis (if the year is a leap year), at a rate of interest equal to the lesser of (a) four percent (4%) per annum above the rate then in effect, or (ii) the Maximum Rate.

If any payment required under this Note is not made within ten (10) days from the due date, Lender may in its sole discretion, to the extent permitted by law, require the Borrowers to pay a one-time "late charge" per late payment equal to five percent (5%) of the amount of the past due principal and interest of such payment, with a minimum of \$10.00 and a maximum of \$1,500.00 per late payment. The "late charge" may be assessed without notice, and shall be immediately due and payable. This provision is inapplicable if the outstanding indebtedness under the Note is accelerated in full.

The Borrowers shall pay all outstanding unpaid principal, all accrued and unpaid interest, and all fees accrued and unpaid late charges, and/or other charges incurred in this transaction by, or for the benefit of the Borrowers, that remain due and owing, on the Maturity Date.

If all or a part of the indebtedness represented by this Note is collected at Law or in equity or in bankruptcy, receivership or other court proceedings or if this Note is placed in the hands of attorneys for collection after default, each Borrower and any endorser or guarantor hereof agree to pay hereunder, in addition to the principal and interest due and payable hereon, reasonable attorneys' fees, court costs and other collection expenses incurred by the holder hereof.

Each Borrower and any endorser or guarantor hereof hereby waive presentment for payment, demand, notice of nonpayment, protest and notice of protest with respect to any payment hereunder and agree to any extension of time with respect to any payment due hereunder, to any substitution or release of the security or collateral described in the Security Instruments and to the addition or release of any party liable hereunder. No delay on the part of the holder hereof in exercising any rights hereunder shall operate as a waiver of such rights.

This Note and the indebtedness evidenced hereby shall be construed and enforced in accordance with and governed by the Law of the State of Oklahoma, without regard to any conflict-of-law principles that would apply the Law of any other jurisdiction.

Each of the undersigned, as a Borrower, and all others who are or become parties primarily or secondarily liable on this Note, whether as endorsers, guarantors or otherwise, hereby agree that this Note may be renewed one or more times, the time for payment of this Note or any renewal Note extended, the interest rate or other terms of the indebtedness evidenced hereby changed, any party released, or any action taken or omitted with respect to any collateral security, including surrender of such security or failure to perfect any lien thereon, without notice or without releasing any of them, except as otherwise expressly agreed in writing, and the obligation of such party shall survive whether or not the instrument evidencing such obligation shall have been surrendered or canceled. All such parties waive presentment, demand for payment, protest and notice of nonpayment or dishonor and agree that failure of this holder to exercise any of its rights hereunder in any instance shall not constitute a waiver thereof in that or any other instance.

This Note is non-assumable by any successor to or assignee of the Borrowers without the Lender's prior written approval. If the Lender approves any such assumption, the terms of this Note shall be binding upon the Borrowers' respective successors and assigns. The terms of this Note shall inure to the benefit of the Lender and its successors and assigns.

EACH BORROWER HEREBY AGREES TO SUBMIT TO THE JURISDICTIONAL PROVISIONS SET FORTH IN SECTION 10.17 OF THE LOAN AGREEMENT, INCORPORATED HEREIN BY REFERENCE AND EXPRESSLY MADE APPLICABLE IN ITS ENTIRETY TO THIS NOTE AND THE BORROWERS.

EACH BORROWER AGREES THAT ANY AND ALL CONTROVERSIES OR CLAIMS ARISING OUT OF THIS NOTE, ITS NEGOTIATION AND/OR THE BREACH THEREOF, WILL BE RESOLVED AS SET FORTH IN SECTION 10.16 OF THE LOAN AGREEMENT, INCORPORATED HEREIN BY REFERENCE AND EXPRESSLY MADE APPLICABLE IN ITS ENTIRETY TO THIS NOTE AND THE BORROWERS.

WITHOUT INTENDING IN ANY WAY TO LIMIT THE PARTIES' AGREEMENT TO ARBITRATE ANY DISPUTE AS SET FORTH IN LOAN AGREEMENT (AND INCORPORATED BY REFERENCE INTO THIS NOTE), TO THE EXTENT ANY DISPUTE IS NOT SUBMITTED TO ARBITRATION OR IS DEEMED BY THE ARBITRATOR OR BY ANY COURT WITH JURISDICTION TO BE NOT ARBITRABLE OR NOT REQUIRED TO BE ARBITRATED, EACH BORROWER WAIVES TRIAL BY JURY IN RESPECT OF ANY SUCH DISPUTE AND ANY ACTION ON SUCH DISPUTE. THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE BY EACH BORROWER, AND EACH BORROWER HEREBY REPRESENTS THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY PERSON OR ENTITY TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THE LOAN DOCUMENTS. EACH BORROWER IS HEREBY AUTHORIZED TO FILE A COPY OF THIS SECTION IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER OF JURY TRIAL. EACH BORROWER FURTHER REPRESENTS AND WARRANTS THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS AGREEMENT AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT LEGAL COUNSEL SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

EACH BORROWER ACKNOWLEDGES EXECUTION OF THIS NOTE AND HAVING READ ALL OF ITS PROVISIONS AND AGREES TO ITS TERMS.

THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[SIGNATURE PAGE ATTACHED]

THIS PROMISSORY NOTE is dated and effective as of the first date indicated on the first page hereto.

BORROWERS:

GREYSTONE LOGISTICS, INC., an Oklahoma corporation

By: /s/ Warren F. Kruger

Warren F. Kruger, President/CEO

GREYSTONE MANUFACTURING, L.L.C., an Oklahoma limited liability company

By: /s/ Warren F. Kruger

Warren F. Kruger, Manager

BILL OF SALE AND ASSIGNMENT

THIS BILL OF SALE AND ASSIGNMENT (this "Assignment"), dated as of the 31st day of January, 2014, is entered into by and among Yorktown Management and Financial Services, L.L.C., an Oklahoma limited liability company ("Yorktown"), Greystone Manufacturing, L.L.C., an Oklahoma limited liability company ("Greystone Manufacturing"), Greystone Logistics, Inc., an Oklahoma corporation ("Greystone Logistics"), and Warren F. Kruger ("Kruger").

RECITALS

- A. Greystone Manufacturing is a wholly-owned subsidiary of Greystone Logistics.
- B. Kruger is the sole member of Yorktown.
- C. Yorktown owes Greystone Manufacturing the aggregate amount of \$3,750,084.53 (the "Greystone Accounts Receivable").
- D. Greystone Logistics owes Kruger the aggregate amount of \$2,662,782.09, consisting of \$794,710.86 in respect of compensation owed to Kruger and \$1,868,071.23 in respect of a note payable owed to Kruger (collectively, the "Greystone Accounts Payable").
- E. The parties desire to offset the Greystone Accounts Receivable and the Greystone Accounts Payable on a dollar-for-dollar basis, in accordance with the terms and conditions of this Assignment, which results in a net balance owed by Yorktown of \$1,087,302.44 (the "Offset Balance").
- F. Yorktown wishes to sell the Assets (as defined below) to Greystone Manufacturing, and Greystone Manufacturing wishes to purchase the Assets from Yorktown, in accordance with the terms and conditions of this Assignment.

AGREEMENT

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Transfer of Assets. Yorktown hereby conveys, grants, sells, transfers, assigns, releases and delivers to Greystone Manufacturing all of Yorktown's right, title and interest in and to the assets described on Schedule A attached hereto (collectively, the "Assets").

2. Offset and Purchase Price for the Assets.

(a) The parties agree that the Greystone Accounts Payable and the Greystone Accounts Receivable are hereby offset on a dollar-for-dollar basis, which results in a net balance owed by Yorktown in an amount equal to the Offset Balance.

(b) The parties agree that the aggregate purchase price for the transfer of the Assets from Yorktown to Greystone Manufacturing pursuant to this Agreement shall be \$2,400,000, which has been paid as follows:

(i) \$1,000,000 has been paid in cash on the date hereof by Greystone Manufacturing to Yorktown for the Molding Machine (as defined on Schedule A);

(ii) \$300,000 has been paid in cash on the date hereof by Greystone Manufacturing to Yorktown for the Crane (as defined on Schedule A); and

(iii) The purchase price for the Injection Molds (as defined on Schedule A) is that the Offset Balance is hereby deemed to be paid in full by Yorktown and an additional \$12,697.56 has been paid in cash by Greystone Manufacturing to Yorktown on the date hereof.

3. Further Assurances. Yorktown agrees from time to time, at the request of Greystone Manufacturing, and without further consideration, to execute, acknowledge and deliver such further instruments of transfer, bills of sale, assignments, transfers and conveyances and to take such other actions as Greystone Manufacturing may reasonably request in order more effectively to convey and transfer to and vest in Greystone Manufacturing the Assets hereby conveyed and assigned.

4. Representations or Warranties. Yorktown warrants to Greystone Manufacturing that Yorktown is the legal owner of the Assets and that the Assets are free of all liens, claims and other encumbrances. YORKTOWN HEREBY EXPRESSLY DISCLAIMS AND NEGATES ANY OTHER REPRESENTATION OR WARRANTY, WHETHER EXPRESSED OR IMPLIED, OF ANY KIND, INCLUDING WITHOUT LIMITATION RELATING TO THE CONDITION OF THE ASSETS (INCLUDING WITHOUT LIMITATION ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE), IT BEING THE INTENTION OF YORKTOWN AND GREYSTONE MANUFACTURING THAT THE ASSETS BE CONVEYED "AS IS, WHERE IS" IN THEIR PRESENT CONDITION AND STATE OF REPAIR EXCEPT AS EXPRESSLY PROVIDED OTHERWISE HEREIN.

5. Governing Law. This Assignment shall be governed by and construed in accordance with the substantive law of the State of Oklahoma without giving effect to the principles of conflicts of law thereof.

[Signatures appear on following page.]

IN WITNESS WHEREOF, the parties hereto have executed this Assignment to be effective for all purposes as of the date first above written.

“Yorktown”

YORKTOWN MANAGEMENT AND
FINANCIAL SERVICES, L.L.C.

By: /s/ Warren F. Kruger
Warren F. Kruger
Manager

“Greystone Manufacturing”

GREYSTONE MANUFACTURING, L.L.C.

By: /s/ Warren F. Kruger
Warren F. Kruger
Manager

“Greystone Logistics”

GREYSTONE LOGISTICS, INC.

By: /s/ William W. Rahhal
William W. Rahhal
Chief Financial Officer

“Kruger”

/s/ Warren F. Kruger
Warren F. Kruger

SCHEDULE A

ASSETS

The Assets are comprises of the items described below:

1. One Cincinnati Milacron Injection Molding Machine, model ML1760-1054, serial #H35A0300008 (the “Molding Machine”)
2. One Lift Systems heavy lift crane, model 45MBL, serial #MBL045001 (collectively, the “Crane”)
3. The following injection molds (collectively, the “Injection Molds”):

Serial #	Product ID	Description
N/A	RO.48.45	48X45 Monoblock Partial Lip/No Lip
3405	SPL.32.30.LEG	32X30 Bottom Mold
3333	TC.32X30	32X30 Top Cap Mold
3395	PF.36.36/PF.37.37.TOP	36X36 or 37X37 Top Pallet Mold
3390	PF.36.36/PF.37.37.LEG	36X36 or 37X37 Leg Pallet Mold
R10C6	LD.48.42	48X42 Monoblock with 4 rod configuration
N/A	GS.37.32.3r	37X32 Runner mold with 3 rod insertion points
N/A	GS.37.37.6r	37X37 Picture frame mold with 4 rod insertion points
7123	GS.44.30.KEG	44X30 Keg mold with 10 rod insertion points
6116	GS.48.40.6r	48X40 Picture frame rackable pallet with 5 rod insertion points
6114	GS.48.40.6r	48X40 Picture frame rackable pallet with 5 rod insertion points
6115	GS.48.40.6r	48X40 Picture frame rackable pallet with 5 rod insertion points
4007	GS.48.44.6r	48X44 Picture frame rackable mold
N/A	GS.48.40.NST.LD	48X40 Nestable Pallet (Greystone Nestable)
N/A	GS.48.40.NST.HD	48X40 Nestable Pallet (Greystone Grocery Nestable)
363248	GS.48.40.FDK.TP	48X40 Flat Deck top pallet mold
365362	GS.48.40.FDK.BT	48x40 Flat Deck 3 runner bottom mold
365332	GS.48.40.MDP.TP	48x40 Mid duty top pallet mold
364364	GS.48.40.MDP.TP	48x40 Mid duty pallet mold
365268	GS.48.40.MDP.TP	48x40 Mid duty pallet mold
364771	GS.48.40.MDP.TP	48x40 Mid duty pallet mold
363250	GS.48.40.MDP.BT	48X40 Mid Duty picture frame mold

TULSA, OK (MARKET WIRE) – February 5, 2014 – Greystone Logistics, Inc. (OTC BB: GLGI), (the “Company”) announced that the Company and Greystone Manufacturing, L.L.C. (“GSM”), a wholly-owned subsidiary of the Company, entered into a Loan Agreement on January 31, 2014 with International Bank of Commerce (“IBC”), pursuant to which IBC will provide the Company and GSM with a revolving line of credit of up to \$2,500,000 and term loan of \$9,200,000. The exact amount which can be borrowed under the revolving line of credit from time to time depends upon the amount of the borrowing base, but can in no event exceed \$2,500,000.

The revolving line of credit bears interest at the higher per annum rate of (i) the New York Prime Rate, plus 0.5%, and (ii) 4.0%. The borrowers are required to pay all interest accrued on the outstanding principal balance of the revolving line of credit on February 28, 2014, and continuing on the last day of each month thereafter until January 31, 2016. The borrowers are required to pay the outstanding principal balance of the revolving line of credit on January 31, 2016. Any principal on the revolving line of credit that is prepaid by the borrowers may be reborrowed by the borrowers.

The term loan bears interest at 4.5% per annum. The borrowers are required to make equal payments of principal and interest in an amount sufficient to amortize the principal balance of the term loan over five years, commencing on February 28, 2014, and continuing on the last day of each month thereafter until January 31, 2019.

The revolving line of credit will be used for general working capital purposes. The term loan was used to repay the borrowers’ obligations to The F&M Bank & Trust Company, to pay preferred dividends and to finance the acquisition of certain equipment.

Bill Rahhal, Chief Financial Officer of the Company, stated that these two new loans provided necessary capital to support the Company’s current and future growth as well as improving the capitalization of the Company’s debt. Bill Rahhal also stated “We are very excited about the new relationship with IBC Bank and look forward to working with them.”

Forward-Looking Statements

This press release includes certain statements that may be deemed “forward-looking statements” within the meaning of the federal securities laws. All statements, other than statements of historical facts that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future, including the potential sales of pallets or other possible business developments, are forward-looking statements. Such statements are subject to a number of assumptions, risks and uncertainties, including the ability of the company to continue as a going concern. Actual results may vary materially from the forward-looking statements. For a list of certain material risks relating to the Company and its products, see the Company’s Form 10-K for the year ended May 31, 2013.

Contact:

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