
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED November 30, 2016

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number **000-26331**

GREYSTONE LOGISTICS, INC.

(Exact name of registrant as specified in its charter)

Oklahoma

(State or other jurisdiction of
incorporation or organization)

75-2954680

(I.R.S. Employer
Identification No.)

1613 East 15th Street, Tulsa, Oklahoma 74120

(Address of principal executive offices) (Zip Code)

(918) 583-7441

(Registrant's telephone number, including area code)

Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Indicate by checkmark whether the registrant is a shell company (as defined in rule 12b-2 of the Exchange Act). Yes No

Applicable only to corporate issuers:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: January 13, 2017 - 28,361,201

GREYSTONE LOGISTICS, INC.
FORM 10-Q
For the Period Ended November 30, 2016

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

Greystone Logistics, Inc. and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

<u>Assets</u>	<u>November 30, 2016</u>	<u>May 31, 2016</u>
Current Assets:		
Cash	\$ 669,668	\$ 897,377
Accounts receivable -		
Trade, net of allowance for doubtful accounts of \$31,660 and \$13,260, respectively	1,050,445	3,536,574
Related party receivable	172,255	150,113
Inventory	1,295,542	1,304,495
Prepaid expenses	227,990	70,058
Total Current Assets	3,415,900	5,958,617
Property and Equipment , net of accumulated depreciation	18,923,322	12,565,319
Deferred Tax Asset	1,229,132	1,283,682
Other Assets	16,147	23,405
Total Assets	\$ 23,584,501	\$ 19,831,023
Liabilities and Deficit		
Current Liabilities:		
Current portion of long-term debt	\$ 4,340,096	\$ 2,088,327
Accounts payable and accrued expenses	2,881,459	2,642,112
Accrued interest payable – related party	-	2,475,690
Preferred dividends payable	56,404	60,005
Total Current Liabilities	7,277,959	7,266,134
Long-Term Debt , net of current portion	16,912,667	13,289,236
Deficit:		
Preferred stock, \$0.0001 par value, cumulative, 20,750,000 shares authorized, 50,000 shares issued and outstanding, liquidation preference of \$5,000,000	5	5
Common stock, \$0.0001 par value, 5,000,000,000 shares authorized, 28,361,201 and 27,886,201 shares issued and outstanding	2,836	2,789
Additional paid-in capital	53,790,764	53,613,811
Accumulated deficit	(55,462,242)	(55,385,912)
Total Greystone Stockholders' Deficit	(1,668,637)	(1,769,307)
Non-controlling interest	1,062,512	1,044,960
Total Deficit	(606,125)	(724,347)
Total Liabilities and Deficit	\$ 23,584,501	\$ 19,831,023

The accompanying notes are an integral part of these consolidated financial statements.

Greystone Logistics, Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	For the Six Months Ended November 30,	
	2016	2015
Sales	\$ 17,065,972	\$ 9,990,191
Cost of Sales	<u>14,868,884</u>	<u>8,169,150</u>
Gross Profit	2,197,088	1,821,041
General, Selling and Administrative Expenses	<u>1,387,304</u>	<u>1,239,468</u>
Operating Income	809,784	581,573
Other Expense:		
Interest expense	<u>(542,800)</u>	<u>(387,376)</u>
Income before Income Taxes	266,984	194,197
Provision for Income Taxes	<u>54,550</u>	<u>28,650</u>
Net Income	212,434	165,547
Income Attributable to Variable Interest Entities, net	(119,552)	(116,337)
Preferred Dividends	<u>(169,212)</u>	<u>(162,945)</u>
Net Loss Attributable to Common Stockholders	<u>\$ (76,330)</u>	<u>\$ (113,735)</u>
Loss Per Share of Common Stock - Basic and Diluted	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted Average Shares of Common Stock Outstanding - Basic and Diluted	<u>28,283,332</u>	<u>27,520,217</u>

The accompanying notes are an integral part of these consolidated financial statements.

Greystone Logistics, Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended November 30,	
	2016	2015
Sales	\$ 9,221,711	\$ 4,420,210
Cost of Sales	<u>7,992,441</u>	<u>3,539,834</u>
Gross Profit	1,229,270	880,376
General, Selling and Administrative Expenses	<u>664,275</u>	<u>537,326</u>
Operating Income	564,995	343,050
Other Expense:		
Interest expense	<u>(306,169)</u>	<u>(191,964)</u>
Income before Income Taxes	258,826	151,086
Provision for Income Taxes	<u>73,400</u>	<u>33,935</u>
Net Income	185,426	117,151
Income Attributable to Variable Interest Entities, net	(60,173)	(58,544)
Preferred Dividends	<u>(84,144)</u>	<u>(81,027)</u>
Net Income (Loss) Attributable to Common Stockholders	<u>\$ 41,109</u>	<u>\$ (22,420)</u>
Income (Loss) Per Share of Common Stock - Basic and Diluted	<u>\$ 0.00</u>	<u>\$ (0.00)</u>
Weighted Average Shares of Common Stock Outstanding -		
Basic	<u>28,361,201</u>	<u>27,630,432</u>
Diluted	<u>28,940,368</u>	<u>27,630,432</u>

The accompanying notes are an integral part of these consolidated financial statements.

Greystone Logistics, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	For the Six Months Ended November 30,	
	2016	2015
Cash Flows from Operating Activities:		
Net income	\$ 212,434	\$ 165,547
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,222,574	674,993
Decrease (Increase) in deferred tax asset	54,550	28,650
Stock based compensation	-	26,712
Changes in trade accounts receivable	2,486,129	425,164
Changes in related party receivable	(22,142)	(17,274)
Changes in inventory	8,953	(880,085)
Changes in prepaid expenses	(157,932)	(94,643)
Changes in accounts payable and accrued expenses	239,547	1,271,997
Net cash provided by operating activities	<u>4,044,113</u>	<u>1,601,061</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(2,095,073)	(540,374)
Cash Flows from Financing Activities:		
Proceeds from revolving loan	-	650,000
Payments on long-term debt and capitalized lease	(1,619,936)	(983,244)
Payments on revolving loan	(275,000)	(300,000)
Debt issue costs	(64,000)	-
Proceeds from exercised stock options	57,000	57,000
Dividends paid on preferred stock	(172,813)	(162,945)
Dividends paid by variable interest entity	(102,000)	(102,000)
Net cash used in financing activities	<u>(2,176,749)</u>	<u>(841,189)</u>
Net Increase (Decrease) in Cash	(227,709)	219,498
Cash, beginning of period	897,377	598,887
Cash, end of period	<u>\$ 669,668</u>	<u>\$ 818,385</u>
Non-Cash Activities:		
Acquisition of equipment pursuant to capital lease	\$ 5,450,474	\$ -
Conversion of accrued interest to long-term debt	\$ 2,475,690	\$ -
Warrants issued	\$ 120,000	\$ -
Preferred dividend accrual	\$ 56,404	\$ 54,315
Supplemental Information:		
Interest paid	\$ 527,800	\$ 236,755

The accompanying notes are an integral part of these consolidated financial statements

GREYSTONE LOGISTICS, INC.
Notes to Consolidated Financial Statements
(Unaudited)

Note 1. Basis of Financial Statements

In the opinion of Greystone Logistics, Inc. (“Greystone”), the accompanying unaudited consolidated financial statements contain all adjustments and reclassifications, which are of a normal recurring nature, necessary to present fairly its financial position as of November 30, 2016, the results of its operations for the six-month and three-month periods ended November 30, 2016 and 2015, and its cash flows for the six-month periods ended November 30, 2016 and 2015. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of and for the fiscal year ended May 31, 2016 and the notes thereto included in Greystone’s Form 10-K for such period. The results of operations for the six-months and three-month periods ended November 30, 2016 and 2015 are not necessarily indicative of the results to be expected for the full fiscal year.

The consolidated financial statements of Greystone include its wholly-owned subsidiaries, Greystone Manufacturing, L.L.C. (“GSM”) and Plastic Pallet Production, Inc. (“PPP”), and the variable interest entity, Greystone Real Estate, L.L.C. (“GRE”). GRE owns two buildings located in Bettendorf, Iowa which are leased to GSM.

Note 2. Earnings Per Share

Basic earnings per share is based on the weighted-average effect of all common shares issued and outstanding and is calculated by dividing net income (loss) available to common stockholders by the weighted-average shares outstanding during the period. Diluted earnings per share is calculated by dividing net income (loss) available to common stockholders by the weighted-average number of common shares used in the basic earnings per share calculation plus the number of common shares that would be issued assuming exercise or conversion of all potentially dilutive common shares outstanding.

Greystone excludes equity instruments from the calculation of diluted earnings per share if the effect of including such instruments is anti-dilutive, as follows:

	2016	2015
Six-month periods ended November 30:		
Options to purchase common stock	200,000	675,000
Warrants to purchase common stock	500,000	-
Preferred stock convertible into common stock	3,333,333	3,333,333
Total	<u>4,033,333</u>	<u>4,008,333</u>
Three-month periods ended November 30:		
Options to purchase common stock	-	675,000
Preferred stock convertible into common stock	3,333,333	3,333,333
Total	<u>3,333,333</u>	<u>4,008,333</u>

The following tables set forth the computation of basic and diluted earnings per share for the following periods:

	<u>2016</u>	<u>2015</u>
Six-month periods ended November 30:		
Numerator -		
Net loss available to common stockholders	\$ (76,330)	\$ (113,735)
Denominator -		
Weighted-average shares outstanding - basic	28,283,332	27,520,217
Incremental shares from assumed conversion of options and warrants	-	-
Diluted shares	<u>28,283,332</u>	<u>27,520,217</u>
Loss per share -		
Basic and Diluted	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Three-month periods ended November 30:		
Numerator -		
Net income (loss) available to common stockholders	\$ 41,109	\$ (22,420)
Denominator -		
Weighted-average shares outstanding - basic	28,361,201	27,630,432
Incremental shares from assumed conversion of options and warrants	579,167	-
Diluted shares	<u>28,940,368</u>	<u>27,630,432</u>
Loss per share -		
Basic and Diluted	<u>\$ 0.00</u>	<u>\$ (0.00)</u>

Note 3. Inventory

Inventory consists of the following:

	<u>November 30, 2016</u>	<u>May 31, 2016</u>
Raw materials	\$ 744,711	\$ 536,350
Finished goods	550,831	768,145
Total inventory	<u>\$ 1,295,542</u>	<u>\$ 1,304,495</u>

Note 4. Related Party Receivable

Yorktown Management & Financial Services, LLC

Yorktown Management & Financial Services, LLC (“Yorktown”), an entity wholly owned by Greystone’s CEO and President, owns and rents to Greystone (1) grinding equipment used to grind raw materials for Greystone’s pallet production and (2) extruders for pelletizing recycled plastic into pellets for resale and for use as raw material in the manufacture of pallets. GSM pays weekly rental fees to Yorktown of \$22,500 for use of Yorktown’s grinding equipment and \$5,000 for the use of Yorktown’s pelletizing equipment for which GSM paid Yorktown rental fees of \$715,000 for the six months ended November 30, 2016 and 2015, respectively.

In addition, Yorktown provides office space for Greystone in Tulsa, Oklahoma at a monthly rental of \$2,200.

TriEnda Holdings, L.L.C.

TriEnda Holdings, L.L.C. (“TriEnda”) is a manufacturer of plastic pallets, protective packing and dunnage utilizing thermoform processing for which Warren F. Kruger, Greystone’s president and CEO, serves TriEnda as the non-executive Chairman of the Board and is a partner in a partnership which has a majority ownership interest. Greystone charges a tolling fee for blending and pelletizing plastic resin using TriEnda’s equipment and raw materials. Revenue from TriEnda totaled \$368,690 and \$111,986 for the six months ended November 30, 2016 and 2015, respectively. The account receivable from TriEnda at November 30, 2016 was \$62,694.

The tolling service provided by Greystone generates a certain amount of scrap material which is purchased by Greystone. Purchases for the six months ended November 30, 2016 and 2015 totaled \$24,265 and \$60,584, respectively. Greystone had accounts payable to TriEnda of \$2,299 at November 30, 2016.

Green Plastic Pallets

Greystone sells plastic pallets to Green Plastic Pallets (“Green”), an entity that is owned by James Kruger, brother to Warren Kruger, Greystone’s president and CEO. Greystone had sales to Green of \$146,885 and \$146,880 for the six months ended November 30, 2016 and 2015, respectively. The account receivable due from Green at November 30, 2016 was \$111,860.

Note 5. Debt

Debt as of November 30, 2016 and May 31, 2016 is as follows:

	<u>November 30, 2016</u>	<u>May 31, 2016</u>
Term note A payable to International Bank of Commerce, prime rate of interest plus 0.5% but not less than 4.0%, maturing January 7, 2019	\$ 4,969,030	\$ 5,310,179
Term note B payable to International Bank of Commerce, prime rate of interest plus 0.5% but not less than 4.0%, maturing January 7, 2019	2,206,666	2,688,659
Revolving note payable to International Bank of Commerce, prime rate of interest plus 0.5% but not less than 4.0%, due January 31, 2019	1,400,000	1,675,000
Term note payable by GRE to International Bank of Commerce, interest rate of 4.5%, monthly principal and interest payments of \$26,215, due January 31, 2019	2,932,721	3,021,734
Capital lease with a private pallet leasing company, interest rate of 5%, maturity of August 7, 2019	4,865,070	-
Note payable to Robert Rosene, 7.5% interest, due January 15, 2018	4,534,331	2,066,000
Note payable to Yorktown Management & Financial Services, LLC, 5% interest, due February 28, 2019, monthly principal and interest payments of \$20,629	525,758	634,616
Other	44,400	50,560
Debt issue costs, net of amortization	(225,213)	(69,185)
	21,252,763	15,377,563
Less: Current portion	(4,340,096)	(2,088,327)
Long-term debt	<u>\$ 16,912,667</u>	<u>\$ 13,289,236</u>

The prime rate of interest as of November 30, 2016 was 3.5%. Effective December 15, 2016, the prime rate of interest increased to 3.75%.

Loan Agreement between Greystone and IBC

On January 31, 2014, Greystone and GSM (the "Borrowers") and International Bank of Commerce ("IBC") entered into a Loan Agreement (the "IBC Loan Agreement"). The IBC Loan Agreement provides for 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.

On January 7, 2016, the Borrowers and IBC entered into the First Amendment to the IBC Loan Agreement (the “First Amendment”) whereby IBC made an additional term loan to Borrowers in the original principal amount of \$2,530,072 (the “New Equipment Loan”). The New Equipment Loan and \$2,917,422 of the principal amount outstanding on the Term Loan were consolidated into a new loan in the combined principal amount of \$5,447,504 (the “Term Loan A”). The Term Loan’s remaining principal balance of \$3,000,000 was deemed to be a separate term loan (the “Term Loan B”). Greystone’s board of directors approved compensation to Warren F. Kruger, President and CEO, and Robert B. Rosene, Jr., a member of Greystone’s board of directors, as the individual guarantors pursuant to the IBC Agreement, as amended. The compensation included a cash payment of \$65,000, of which the payment to Mr. Rosene was made in December 2016, and a warrant to purchase 250,000 shares of Greystone common stock for \$0.01 per share as discussed further in Note 6. The cost of the compensation is accounted for as debt issue costs to be amortized over the remaining primary terms of the notes.

The Term Loans A and B bear interest at the New York Prime Rate plus 0.5% but not less than 4.0% and mature January 7, 2019. The Borrowers are required to make equal monthly payments of principal and interest in such amounts sufficient to amortize the principal balance of (i) the Note A Term Loan over a seven year period beginning January 31, 2016 (currently \$74,455 per month) and (ii) the Note B Term Loan over the three-year life of the loan (currently \$88,790 per month).

The Revolving Loan bears interest at the New York Prime Rate plus 0.5% but not less than 4.0%. Effective December 12, 2016, the Revolving Loan was amended and restated to extend the maturity of the note to January 31, 2019. The Borrowers are required to pay all interest accrued on the outstanding principal balance of the Revolving Loan on a monthly basis. Any principal on the Revolving Loan that is prepaid by the Borrowers does not reduce the original amount available to the Borrowers.

The IBC Loan Agreement includes customary representations and warranties and affirmative and negative covenants which 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 not exceeding 3:00 to 1:00 measured quarterly, (ii) subject to certain exceptions, limiting the Borrowers’ combined capital expenditures on fixed assets to \$1,000,000 per year, (iii) prohibiting Greystone, without IBC’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 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’s outstanding preferred stock, and (2) any equity interest in GSM, or (B) Warren Kruger from ceasing to be actively involved in the management of Greystone 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.

Greystone’s debt service coverage ratio as of November 30, 2016 was 0.65 to 1:00 which was less than the required minimum as discussed above. Effective December 12, 2016, the Borrowers and IBC entered into the Third Amendment to the IBC Loan Agreement (the “Third Amendment”) waiving this instance of noncompliance, and further removing the requirement to maintain the minimum debt service coverage ratio until the rolling test period ending February 28, 2018.

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 IBC 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 GRE on the real property owned by GRE in Bettendorf, Iowa (the "Mortgage"). GRE is owned by Warren F. Kruger, Greystone's President and CEO, and Robert B. Rosene, Jr., a director of Greystone. Messrs. 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 GRE under the Loan Agreement between GRE and IBC dated January 31, 2014 as discussed in the following paragraph.

Loan Agreement between GRE and IBC

On January 31, 2014, GRE and IBC entered into a Loan Agreement which provided for a mortgage loan to GRE of \$3,412,500. The loan provides for a 4.5% interest rate and a maturity of January 31, 2019 and is secured by a mortgage on the two buildings in Bettendorf, Iowa which are leased to Greystone.

Capital Lease with Private Pallet Leasing Company

In August, 2016, Greystone entered into a three-year lease agreement with a private pallet leasing company to provide for certain production equipment with a total cost of approximately \$5.4 million. The lease agreement includes a bargain purchase option to acquire the production equipment at the end of the lease term. The lease is for two Milacron injection molding machines and two pallet molds designed and dedicated to production of 48X40 pallets (the "Pallets") for the pallet leasing company. Monthly lease payments, estimated at approximately \$100,000 per machine, are payable on a per invoice basis at the rate of \$6.25 for each pallet produced by the leased production equipment and shipped to the leasing company. The lease bears an interest rate of 5%, has a three-year maturity and provides for minimum monthly lease rental payment based upon the total Pallets sold in excess of a specified amount not to exceed the monthly productive capacity of the leased machines.

The first of the Milacron machines was placed into service in August, 2016. The second machine was placed into service in September, 2016 under the same terms and conditions as the first machine. Maturities for the three years subsequent to November 30, 2016 for the capital lease are estimated to be \$2,206,994, \$2,319,848 and \$338,228.

Note Payable between Greystone and Robert B. Rosene, Jr.

Effective December 15, 2005, Greystone entered into an agreement with Robert B. Rosene, Jr., a member of Greystone's board of directors, to convert \$2,066,000 of advances into a note payable at 7.5% interest. Effective June 1, 2016, the note was restated (the "Restated Note") to combine the outstanding principal, \$2,066,000, and accrued interest, \$2,475,690, into a note payable of \$4,541,690 with an extended maturity date of January 15, 2018. The Restated Note provides that accrued interest is payable monthly and allows Greystone to use commercially reasonable efforts to pay such amounts as allowed by the IBC Loan Agreement against the interest accrued prior to the restatement.

Note Payable between Greystone and Yorktown Management Financial Services, LLC ("Yorktown")

On February 29, 2016, Greystone entered into an unsecured note payable to Yorktown in the amount of \$688,296 in connection with the acquisition of equipment from Yorktown. The note payable bears interest at the rate of 5% and is payable over three years with monthly principal and interest payments of \$20,629.

Maturities

Maturities of Greystone's long-term debt and capital leases for the five years subsequent to November 30, 2016 are \$4,340,096, \$10,477,053, \$6,660,827, \$-0- and \$-0-.

Note 6. Warrants to Purchase Common Stock

Effective September 1, 2016, Greystone's board of directors authorized the issuance of warrants to purchase 250,000 shares of Greystone's common stock for \$0.01 per share to each of Warren F. Kruger, President and CEO, and Robert B. Rosene, Jr., a member of Greystone's board, as compensation for providing guarantees on Greystone's debt with International Bank of Commerce. The warrants have a vesting period of two years and expire August 31, 2026. The issuance will be capitalized as debt issue cost as of the measurement date for approximately \$120,000 and amortized over the remaining guaranty term.

The value of Greystone's common stock on September 1, 2016 was \$0.24 per share. The estimated fair value at the date of the grant for the warrants utilizing the Black-Scholes option valuation model and the assumptions that were used in the Black-Scholes option model for fiscal year 2017 are as follows:

Estimated fair value of warrants at date of grant	\$	120,000
Black-Scholes model assumptions		
Average expected life (years)		6
Average expected volatility factor		145.77%
Average risk-free interest rate		4.0%
Average expected dividend yields	\$	-0-

Note 7. Fair Value of Financial Instruments

The following methods and assumptions are used in estimating the fair-value disclosures for financial instruments:

Debt: The carrying amount of loans with floating rates of interest approximate fair value. Fixed rate loans are valued based on cash flows using estimated rates of comparable loans. The carrying amounts reported in the balance sheet approximate fair value.

Note 8. Concentrations, Risks and Uncertainties

Greystone derived approximately 67% of its total sales from two customers (25% and 42% respectively) in fiscal year 2017 and approximately 40% (36% and 4%, respectively) in fiscal year 2016. The loss of a material amount of business from these customers could have a material adverse effect on Greystone.

Greystone purchases damaged pallets from its customers at a price based on the value of the raw material content in the pallet. A majority of these purchases, totaling \$864,874 and \$478,752 in fiscal years 2017 and 2016, respectively, is from one of its major customers.

Robert B. Rosene, Jr., a Greystone director, has provided financing and guarantees on Greystone's bank debt. As of November 30, 2016, Greystone is indebted to Mr. Rosene in the amount of \$4,534,331 for a note payable and related accrued interest due January 15, 2018. There is no assurance that Mr. Rosene will renew the note as of the maturity date.

Note 9. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "*Revenue from Contracts with Customers*" ("ASU 14-09") which creates a comprehensive set of guidelines for the recognition of revenue under the principle: "Recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." The requirements of ASU 14-09 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2017 and will require either retrospective application to each prior period presented or retrospective application with the cumulative effect of initially applying the standard recognized at the date of adoption. Greystone is currently evaluating the impact this ASU will have on our financial position and results of operations.

In February 2016, the FASB issued Accounting Standards 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting about leasing transactions. The ASU will require organizations ("lessees") that lease assets with lease terms of more than twelve months to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. Organizations that own the assets leased by lessees ("lessors") will remain largely unchanged from current GAAP. In addition, the ASU will require disclosures to help investors and other financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. The effective date of this ASU is for fiscal years beginning after December 31, 2018 and interim periods within that year. Greystone is currently reviewing the ASU to assess the potential impact on the consolidated financial statements.

In March 2016, FASB issued Accounting Standards 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which amends ASC Topic 718, *Compensation – Stock Compensation*. The objective of this amendment is part of the FASB's Simplification Initiative as it applies to several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The effective date of the amendment is for fiscal years beginning after December 31, 2016 and interim periods within that reporting period. Greystone is currently reviewing the ASU to assess the potential impact on the consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

General to All Periods

The unaudited consolidated statements include Greystone Logistics, Inc., its two wholly-owned subsidiaries, Greystone Manufacturing, L.L.C. ("GSM") and Plastic Pallet Production, Inc. ("PPP"). Greystone also consolidates its variable interest entity, Greystone Real Estate, L.L.C. ("GRE"). All material intercompany accounts and transactions have been eliminated.

References to fiscal year 2017 refer to the six and three month periods ended November 30, 2016. References to fiscal year 2016 refer to the six and three month periods ended November 30, 2015.

Sales

Greystone's primary focus is to provide quality plastic pallets to its existing customers while continuing its marketing efforts to broaden its customer base. Greystone's existing customers are primarily located in the United States and engaged in the beverage, pharmaceutical and other industries. Greystone has generated and plans to continue to generate interest in its pallets by attending trade shows sponsored by industry segments that would benefit from Greystone's products. Greystone hopes to gain wider product acceptance by marketing the concept that the widespread use of plastic pallets could greatly reduce the destruction of trees on a worldwide basis. Greystone's marketing is conducted through contract distributors, its President and other employees.

Greystone derives a substantial portion of its revenue from two customers. One customer accounted for approximately 25% and 36% of Greystone's total sales in fiscal year 2017 and 2016, respectively. The second customer accounted for 42% and 4% of Greystone's total sales in fiscal years 2017 and 2016, respectively.

Personnel

Greystone had approximately 200 and 97 full-time employees as of November 30, 2016 and 2015, respectively.

Six-Month Period Ended November 30, 2016 Compared to Six-Month Period Ended November 30, 2015

Sales

Sales for fiscal year 2017 were \$17,065,972 compared to \$9,990,191 in fiscal year 2016 for an increase of \$7,075,781. Pallet sales were \$16,697,282, or 98% of total sales, in fiscal year 2016 compared to \$9,876,955, or 99% of total sales, in fiscal year 2016 for an increase of \$6,820,327. Other sales included tolling services of \$368,690 in fiscal year 2017 and \$113,236 in fiscal 2016.

Greystone has two major customers – a national brewer and a pallet leasing company. Sales to these major customers in fiscal year 2017 were 67% of total sales compared to 40% in fiscal year 2016. Sales to the national brewer were 25% and 36% in fiscal years 2017 and 2016, respectively. Sales to the pallet leasing company were 42% and 4% in fiscal years 2017 and 2016, respectively. The increase in pallet sales from fiscal year 2016 to 2017 was primarily due to increased sales to the pallet leasing company. Pallet sales to Greystone's major customers are generally based on their need and may vary by period. Greystone cannot predict the future needs for these major customers and continues its marketing efforts toward new customers to broaden and diversify the customer base.

Due to the Greystone's increased demand for refined, recycled plastic resin in the manufacturing process for pallets, Greystone estimates that tolling services and sales of pelletized resin will be minimal, if any, in future periods.

Cost of Sales

Cost of sales in fiscal year 2017 was \$14,868,884, or 87% of sales, compared to \$8,169,150, or 82% of sales, in fiscal year 2016. The increase in cost of sales as a percentage of sales in fiscal year 2017 compared to 2016 is principally due to setup costs to fulfill the product requirements for the pallet leasing company.

General, Selling and Administrative Expenses

General, selling and administrative expenses were \$1,387,304 in fiscal year 2017 compared to \$1,239,468 in fiscal year 2016 for an increase of \$147,836, or approximately 12%. The increase is primarily due to increased activity from the substantial increase in sales in fiscal year 2017 compared to fiscal year 2016.

Interest Expense

Interest expense was \$542,800 in fiscal year 2017 compared to \$387,376 in fiscal year 2016 for an increase of \$155,424. The increase is principally attributable to debt related to the capitalized lease and the additional debt with IBC, both for the acquisition of production equipment.

Provision for Income Taxes

The provision for income taxes was \$54,550 and \$28,650 in fiscal years 2017 and 2016, respectively. The provision for income taxes does not include the income from the variable interest entity as the entity is not included in the income tax returns of Greystone and the taxable income of the entity is passed-through to the respective owners.

Based upon a review of its income tax filing positions, Greystone believes that its positions would be sustained upon an audit by the Internal Revenue Service and does not anticipate any adjustments that would result in a material change to its financial position. Therefore, no reserves for uncertain income tax positions have been recorded.

Net Income

Greystone recorded net income of \$212,434 in fiscal year 2017 compared to \$165,547 in fiscal year 2016 primarily for the reasons discussed above.

Net Loss Attributable to Common Stockholders

Net loss available to common stockholders for fiscal year 2017 was \$(76,330), or \$(0.00) per share, compared to \$(113,735), or \$(0.00) per share, in fiscal year 2016 primarily for the reasons discussed above.

Three-Month Period Ended November 30, 2016 Compared to Three-Month Period Ended November 30, 2015

Sales

Sales for fiscal year 2017 were \$9,221,711 compared to \$4,420,210 in fiscal year 2016 for an increase of \$4,801,501. Pallet sales were \$9,040,023, or 98% of total sales, in fiscal year 2017 compared to \$4,310,087, or 98% of total sales, in fiscal year 2016 for an increase of \$4,729,936. Other sales included tolling services of \$181,688 in fiscal year 2017 and compared to \$110,123 in fiscal year 2016.

Greystone has two major customers – a national brewer and a pallet leasing company. Sales to these major customers in fiscal year 2017 were 70% of total sales compared to 38% in fiscal year 2016. Sales to the national brewer were 16% and 30% in fiscal years 2017 and 2016, respectively. Sales to the pallet leasing company were 54% and 8% in fiscal years 2017 and 2016, respectively. The increase in pallet sales from fiscal year 2016 to 2017 was primarily due to increased sales to the pallet leasing company. Pallet sales to Greystone's major customers are generally based on their need and may vary by period. Greystone cannot predict the future needs for these major customers and continues its marketing efforts toward new customers to broaden and diversify the customer base.

Due to the Greystone's increased demand for refined, recycled plastic resin in the manufacturing process for pallets, Greystone estimates that tolling services and sales of pelletized resin will be minimal, if any, in future periods.

Cost of Sales

Cost of sales in fiscal year 2017 was \$7,992,441, or 87% of sales, compared to \$3,539,834, or 80% of sales, in fiscal year 2016. Greystone's production of its heavy-duty pallets increased approximately 32% for fiscal year 2017 over fiscal year 2016. The increase in cost of sales as a percentage of sales in fiscal year 2017 compared to 2016 is principally due to setup costs to fulfill the product requirements for the pallet leasing company.

General, Selling and Administrative Expenses

General, selling and administrative expenses were \$664,275 in fiscal year 2017 compared to \$537,326 in fiscal year 2016 for an increase of \$126,949 or 24%. The increase is primarily due to increased activity from the substantial increase in sales in fiscal year 2017 compared to fiscal year 2016.

Interest Expense

Interest expense was \$306,169 in fiscal year 2017 compared to \$191,964 in fiscal year 2016 for an increase of \$114,205. The increase is principally attributable to debt related to the capitalized lease and the additional debt with IBC, both for the acquisition of production equipment.

Provision for Income Taxes

The provision for income taxes was \$73,400 and \$33,935 in fiscal years 2017 and 2016, respectively. The provision for income taxes does not include the income from the variable interest entity as the entity is not included in the income tax returns of Greystone and the taxable income from this entity is passed-through to the respective owners.

Based upon a review of its income tax filing positions, Greystone believes that its positions would be sustained upon an audit by the Internal Revenue Service and does not anticipate any adjustments that would result in a material change to its financial position. Therefore, no reserves for uncertain income tax positions have been recorded.

Net Income

Greystone recorded a net income of \$185,426 in fiscal year 2017 compared to \$117,151 in fiscal year 2016 primarily for the reasons discussed above.

Net Income (Loss) Attributable to Common Stockholders

The net income available to common stockholders for fiscal year 2017 was \$41,109, or \$0.00 per share, compared to a net loss of \$(22,420), or \$(0.00) per share, in fiscal year 2016 primarily for the reasons discussed above.

Liquidity and Capital Resources

A summary of cash flows for the six-month period ended November 30, 2016 is as follows:

Cash provided by operating activities	\$ 4,044,113
Cash used in investing activities	(2,095,073)
Cash used in financing activities	(2,176,749)

The contractual obligations of Greystone are as follows:

	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
Long-term debt	\$ 21,477,976	\$ 4,340,096	\$ 17,137,880	\$ -0-	\$ -0-

Greystone had a working capital deficit of \$(3,862,059) at November 30, 2016. To provide for the funding to meet Greystone's operating activities and contractual obligations as of November 30, 2016, Greystone will have to continue to produce positive operating results or explore various options including additional long-term debt and equity financing. However, there is no guarantee that Greystone will continue to create positive operating results or be able to raise sufficient capital to meet these obligations.

As discussed in Note 5 to the consolidated financial statements, Greystone has loans with IBC which include a term loan with a maturity of January 7, 2019 and a revolving loan which expires January 31, 2019. 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.

Substantially all of the financing that Greystone has received through the last few fiscal years resulted from loans provided by certain officers and directors of Greystone and bank loans which are guaranteed by certain officers and directors of Greystone. Greystone continues to be dependent upon its officers and directors to provide and/or secure additional financing and there is no assurance that its officers and directors will continue to do so. As such, there is no assurance that funding will be available for Greystone to continue operations.

Greystone has 50,000 outstanding shares of cumulative 2003 Preferred Stock with a liquidation preference of \$5,000,000 and a preferred dividend rate of the prime rate of interest plus 3.25%. Greystone does not anticipate that it will make cash dividend payments to any holders of its common stock unless and until the financial position of Greystone improves through increased revenues, another financing transaction or otherwise. Pursuant to the IBC Loan Agreement, as discussed in Note 5 to the consolidated financial statements, Greystone may pay dividends on its preferred stock in an amount not to exceed \$500,000 per year.

Forward Looking Statements and Material Risks

This Quarterly Report on Form 10-Q includes certain statements that may be deemed “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are made 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, that address activities, events or developments that Greystone expects, believes or anticipates will or may occur in the future, including decreased costs, securing financing, the profitability of Greystone, 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. The forward-looking statements contained in this Quarterly Report on Form 10-Q could be affected by any of the following factors: Greystone’s prospects could be affected by changes in availability of raw materials, competition, rapid technological change and new legislation regarding environmental matters; Greystone may not be able to secure additional financing necessary to sustain and grow its operations; and a material portion of Greystone’s business is and will be dependent upon a few large customers and there is no assurance that Greystone will be able to retain such customers. These risks and other risks that could affect Greystone’s business are more fully described in Greystone’s Form 10-K for the fiscal year ended May 31, 2016, which was filed on August 29, 2016. Actual results may vary materially from the forward-looking statements. Greystone undertakes no duty to update any of the forward-looking statements contained in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

As of the end of the period covered by this Quarterly Report on Form 10-Q, Greystone carried out an evaluation under the supervision of Greystone’s Chief Executive Officer and Chief Financial Officer of the effectiveness of the design and operation of Greystone’s disclosure controls and procedures pursuant to the Securities Exchange Act Rules 13a-15(e) and 15d-15(e). Based on an evaluation as of May 31, 2016, Warren F. Kruger, Greystone’s Chief Executive Officer, and William W. Rahhal, Greystone’s Chief Financial Officer, identified two material weaknesses in Greystone’s internal control over financial reporting. As of the end of the period covered by this Quarterly Report on Form 10-Q, such material weaknesses had not been rectified. As a result of the continuation of these two material weaknesses, Greystone’s CEO and Chief Financial Officer concluded that Greystone’s disclosure controls and procedures were not effective at November 30, 2016.

During the six-month period ended November 30, 2016, there were no changes in Greystone's internal controls over financial reporting that have materially affected, or that are reasonably likely to materially affect, Greystone's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

Not applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The following exhibits are filed or furnished as part of this Quarterly Report on Form 10-Q.

- 10.1 Third Amendment dated December 12, 2016 to Loan Agreement dated January 31, 2014 among Greystone Logistics, Inc., Greystone Manufacturing, L.L.C. and International Bank of Commerce.
- 10.2 Second Amended and Restated Promissory Note (Revolving Loan) dated December 12, 2016 made by Greystone Logistics, Inc. and Greystone Manufacturing, L.L.C. to International Bank of Commerce.
- 31.1 Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (submitted herewith).
- 31.2 Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (submitted herewith).
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (submitted herewith).
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (submitted herewith).
- 101 Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets at November 30, 2016 and May 31, 2016, (ii) the Consolidated Statements of Operations for the six-month and three-month periods ended November 30, 2016 and 2015, (iii) the Consolidated Statements of Cash Flows for the six-month periods ended November 30, 2016 and 2015, and (iv) the Notes to the Consolidated Financial Statements (submitted herewith).

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 thereunto duly authorized.

GREYSTONE LOGISTICS, INC.

(Registrant)

Date: January 17, 2017

/s/ Warren F. Kruger

Warren F. Kruger, President and Chief
Executive Officer (Principal Executive Officer)

Date: January 17, 2017

/s/ William W. Rahhal

William W. Rahhal, Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Index to Exhibits

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THIRD AMENDMENT TO LOAN AGREEMENT

THIS THIRD AMENDMENT TO LOAN AGREEMENT (this "Amendment") is made as of December 12, 2016 (the "Third Amendment Date") among INTERNATIONAL BANK OF COMMERCE, a Texas state banking association (together with its successors and assigns, "Lender"), 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") and (a) amends the Loan Agreement (Revolving Loan and Equipment Term Loan) dated as of January 31, 2014, as previously amended by the First Amendment to Loan Agreement dated January 7, 2016, and the Second Amendment to Loan Agreement dated May 31, 2016, each among Borrowers and Lender (as so amended, the "Loan Agreement"), and (b) ratifies and amends the other Loan Documents to which the Borrowers are a party as described below.

Borrowers and Lender agree as follows:

1. Definitions. Capitalized terms used but not defined in this Amendment have the meanings given to them in the Loan Agreement.
2. Amendments to Loan Agreement.

(a) Lender and Borrowers agree that the maturity date of the Revolving Loan is extended one year, until January 31, 2019. Accordingly, the reference to "January 31, 2018" in Section 2.3(a) of the Loan Agreement is amended to read "January 31, 2019."

(b) Lender and Borrowers agree that Borrowers are not required to maintain the minimum Debt Service Coverage Ratio required by Section 8.3 of the Loan Agreement until the Rolling Testing Period ending February 29, 2018 (and each Rolling Testing Period thereafter). Accordingly, Section 8.3 of the Loan Agreement is amended and restated in its entirety to read as follows:

Section 8.3. Debt Service Coverage Ratio. For each Rolling Testing Period ending on or after February 29, 2018, Borrowers shall maintain on a consolidated basis a Debt Service Coverage Ratio of at least 1:25:1.00, calculated as of the last date of the Rolling Testing Period.

3. Waiver of Event of Default. Lender waives any Default or Event of Default arising solely from the Borrowers' failure to maintain the Debt Service Coverage Ratio required by Section 8.3 of the Loan Agreement for the Rolling Testing Period ending on November 30, 2016, and all prior Rolling Testing Periods.

4. Effect of this Amendment. Except as expressly provided above, this Amendment is not a waiver of, amendment to, consent to or modification of (a) any term or provision of any of the Loan Documents except as specifically set forth above, and this Amendment, or (b) any event, condition, or transaction on the part of any Person.

5. Ratification of Loan Documents. The Loan Agreement and the other Loan Documents remain in full force and effect as amended by this Amendment. Each Borrower (a) ratifies and confirms all of the respective Loan Documents to which it is a party as valid, subsisting and continuing in full force and effect, as modified by this Amendment, and (b) agrees that all references to the Loan Agreement in the Loan Documents to which it is a party are amended to mean the Loan Agreement as amended by this Amendment.

6. Conditions. The effectiveness of this Amendment is subject to satisfaction of the following conditions precedent, each of which exist for Lender's sole benefit and may be waived by Lender only (in its sole discretion):

(a) Documents. Lender's receipt of the following, each properly executed, each dated the Third Amendment Date (or, in the case of certificates of governmental officials, a recent date before the date of the Amendment) and each in form and substance satisfactory to Lender and its legal counsel:

(i) this Amendment;

(ii) the Second Amended and Restated Revolving Note;

(iii) a Guarantor Ratification of the Amended and Restated Combined Limited Guaranty Agreement dated January 7, 2016, in favor of Lender signed by Kruger and Rosene;

(iv) a ratification of and amendment to the Mortgage executed by Greystone Real Estate;

(v) one or more certificates of resolutions or other action, incumbency certificates and/or other certificates as Lender requires with accompanying governing documents for the Borrowers and Greystone Real Estate and actions and resolutions of the Borrowers and Greystone Real Estate in connection with this Amendment; and

(vi) all other documents and instruments requested by Lender.

(b) Fees and Expenses. If required by Lender, Borrowers' shall pay all out-of-pocket expenses required under Section 8 of this Amendment. If Lender elects, in its sole discretion, to waive collection of any fees and expenses as a condition to the effectiveness of this Amendment, Borrowers will remain obligated to pay those fees and expenses, which are due and payable on the Third Amendment Date.

7. Representations and Warranties.

(a) Each Borrower represents and warrants to the Lender that as of the date of this Amendment:

(i) its representations and warranties in the Loan Documents to which it is a party are true and correct in all material respects as though made on Third Amendment Date, except to the extent that any of them speak to a different specific date, in which case they are true and correct in all material respects as of the earlier date;

(ii) as of the Third Amendment Date, (A) no Default or Event of Default exists, and (B) no Default or Event of Default exists under, and as defined in, the Greystone Real Estate Loan Agreement;

(iii) its execution, delivery and performance of this Amendment and all other Loan Documents executed by it in connection with this Amendment have been duly authorized by all necessary corporate or limited liability company action, as applicable, and do not and will not contravene the terms of any of its organizational documents, any law or any indenture, loan or credit agreement, or any other material agreement or instrument to which it is a party or by which it is bound or to which it or its properties are subject;

(iv) no authorizations, approvals or consents of, and no filings or registrations with, any governmental authority or any other Person are necessary for the execution, delivery or performance by such Borrower of this Amendment or the other Loan Documents executed by it in connection with this Amendment, or for the validity or enforceability thereof; and

(v) this Amendment and each other Loan Document to which it is a party constitutes such Borrower's legal, valid and binding obligations, enforceable against it in accordance with its terms, in all cases except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability, and by judicial discretion regarding the enforcement of or any applicable laws affecting remedies (whether considered in a court of law or a proceeding in equity).

8. Fees and Expenses.

(a) As additional consideration for Lender entering into this Amendment and extending the Revolving Loan, Borrowers shall pay a documentation fee of \$250.00.

(b) In accordance with Section 10.5 of the Loan Agreement (and without in any way limiting its provisions), Borrowers shall pay all reasonable out-of-pocket expenses incurred by the Lender, including the reasonable fees, charges and disbursements of Lender's counsel (determined on the basis of such counsel's generally applicable rates) in connection with (i) this Amendment, the preparation of this Amendment and any other Loan Documents, and any filings or other documents or instruments required in connection with the preparation of this Amendment or the other Loan Documents, and (ii) the enforcement, collection or protection of its rights in connection with the Loan Documents, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect the Loan Documents and this Agreement. Expenses being reimbursed by Borrowers under this Section include, without limitation, costs and expenses incurred in connection with appraisals, field examinations, insurance reviews, flood determinations, lien and title searches and title insurance, and recording and filing fees or taxes.

9. Events of Default Unaffected. Nothing in this Amendment is a waiver of any Default or Event of Default, or of any right or remedy available to the Lender by reason of the occurrence or existence of any Default or Event of Default.

10. Releases. Each Borrower, for itself and on behalf of all its predecessors, successors, assigns, agents, employees, representatives, officers, directors, managers, members, shareholders, beneficiaries, trustees, administrators, subsidiaries, Affiliates, employees, servants and attorneys (collectively the “Releasing Parties”), releases and forever discharges Lender and its successors, assigns, partners, directors, officers, agents, attorneys, and employees from any and all claims, demands, cross-actions, controversies, causes of action, damages, rights, liabilities and obligations, at law or in equity whatsoever, known or unknown, now held, owned or possessed by any or all of the Releasing Parties or that any or all of the Releasing Parties hold or claim to hold in the future as a result of any actions or inactions occurring on or before the First Amendment Date, under common law or statutory right, arising directly or indirectly out of out of the Loans, any of the Loan Documents, or any of the documents, instruments or any other transactions relating thereto or the transactions contemplated thereby. Each Borrower understands and agrees that this is a full, final and complete release and agrees that this release may be pleaded as an absolute and final bar to any or all suit or suits pending or that are filed or prosecuted in the future by any of the Releasing Parties, or anyone claiming by, through or under any of the Releasing Parties, in respect of any of the matters released hereby, and that no recovery on account of the matters described herein may hereafter be had from anyone whomsoever, and that the consideration given for this release is not an admission of liability.

11. Governing Law: Miscellaneous. This Amendment is governed by the Loan Agreement, including the rules of construction provided in Section 1.2 and the miscellaneous provisions of Article X thereof. Unless stated otherwise, (a) the singular number includes the plural and *vice versa* and words of any gender include each other gender, in each case, as appropriate, (b) headings and captions may not be construed in interpreting provisions, and (c) this Amendment may be executed in any number of counterparts with the same effect as if all signatories had signed the same document, and all of those counterparts must be construed together to constitute the same document.

[SIGNATURE PAGES ATTACHED]

THIS THIRD AMENDMENT TO LOAN AGREEMENT is made as of the date first indicated on the first page.

“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

SIGNATURE PAGE
THIRD AMENDMENT TO LOAN AGREEMENT

THIS THIRD AMENDMENT TO LOAN AGREEMENT is made as of the date first indicated on the first page.

“LENDER”

INTERNATIONAL BANK OF COMMERCE,
a Texas state banking association

By: */s/ Andrew J. Levinson*

Andrew J. Levinson, President

SIGNATURE PAGE
THIRD AMENDMENT TO LOAN AGREEMENT

**SECOND AMENDED AND RESTATED
PROMISSORY NOTE
(Revolving Loan)**

\$2,500,000.00

December 12, 2016

THIS SECOND AMENDED AND RESTATED PROMISSORY NOTE (as amended, modified, replaced, restated, extended or renewed from time to time, this "Note") is made as of the date indicated above and evidences indebtedness of **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"), to **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").

Borrowers jointly and severally promise to pay to the order of Lender the principal sum of \$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 Note (a) extends, modifies, and restates in its entirety the Amended and Restated Promissory Note (Revolving Loan) dated January 7, 2016 in the face amount of \$2,500,000.00 from the Borrowers in favor of Lender (the "Prior Note"), and (b) is executed pursuant to, and is the "Revolving Note" described in, the Loan Agreement dated January 31, 2014 among the Borrowers and the Lender, as it has been amended, most recently by the Third Amendment to Loan Agreement of even date herewith among Borrowers and the Lender (as so amended, and as further 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 an annual interest rate equal to the greater of (a) the floating "Prime Rate" (defined below) as it fluctuates from time to time, plus 0.5%, or (b) 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 annual interest rate effective as of the date of this Note is 4.00%. 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 December 31, 2016, and continuing on the last day of each following month 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. 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.

This Note amends, restates and replaces (but is not a novation of), is given in substitution and exchange for, and evidences in part obligations that were previously incurred under the Prior Note, but does not extinguish the indebtedness evidenced by, or Borrowers' indebtedness under, the Prior Note or the collateral security therefor.

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 SECOND AMENDED AND RESTATED PROMISSORY NOTE is dated and effective as of the first date indicated on the first page.

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

SIGNATURE PAGE
SECOND AMENDED AND RESTATED
REVOLVING PROMISSORY NOTE

CERTIFICATION

I, Warren F. Kruger, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Greystone Logistics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

January 17, 2017

/s/ Warren F. Kruger

Warren F. Kruger
President and Chief Executive Officer

CERTIFICATION

I, William W. Rahhal, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Greystone Logistics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

January 17, 2017

/s/ William W. Rahhal

William W. Rahhal
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Greystone Logistics, Inc. (the "Company") on Form 10-Q for the period ending November 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Warren F. Kruger, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

January 17, 2017

/s/ Warren F. Kruger

Warren F. Kruger
President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Report and shall not be considered filed as part of the Report.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Greystone Logistics, Inc. (the "Company") on Form 10-Q for the period ending August 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William W. Rahhal, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

January 17, 2017

/s/ William W. Rahhal

William W. Rahhal
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Report and shall not be considered filed as part of the Report.
