

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

**Form 10-K**

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

For the fiscal year ended May 31, 2023

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)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

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

Common Stock, \$0.0001 par value

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

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

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

As of November 30, 2022 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the voting common stock held by non-affiliates of the registrant, computed by (reference to the price at which the registrant's common stock was last sold on such date, was approximately \$11,638,000 (\$0.745 per share).

As of August 18, 2023, there were 28,279,701 shares of the registrant's common stock, \$0.0001 par value per share, outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

None.

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GREYSTONE LOGISTICS, INC.  
FORM 10-K  
TABLE OF CONTENTS

	Page
<b><u>PART I</u></b>	
Item 1. <a href="#">Business</a>	3
Item 1A. <a href="#">Risk Factors</a>	7
Item 1B. <a href="#">Unresolved Staff Comments</a>	12
Item 2. <a href="#">Properties</a>	12
Item 3. <a href="#">Legal Proceedings</a>	12
Item 4. <a href="#">Mine Safety Disclosures</a>	12
<b><u>PART II</u></b>	
Item 5. <a href="#">Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	12
Item 6. <a href="#">[Reserved]</a>	13
Item 7. <a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	13
Item 7A. <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	16
Item 8. <a href="#">Financial Statements and Supplementary Data</a>	16
Item 9. <a href="#">Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</a>	16
Item 9A. <a href="#">Controls and Procedures</a>	16
Item 9B. <a href="#">Other Information</a>	17
Item 9C. <a href="#">Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.</a>	17
<b><u>PART III</u></b>	
Item 10. <a href="#">Directors, Executive Officers and Corporate Governance</a>	17
Item 11. <a href="#">Executive Compensation</a>	21
Item 12. <a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	22
Item 13. <a href="#">Certain Relationships and Related Transactions, and Director Independence</a>	23
Item 14. <a href="#">Principal Accountant Fees and Services</a>	24
<b><u>PART IV</u></b>	
Item 15. <a href="#">Exhibits and Financial Statement Schedules</a>	24
Item 16. <a href="#">Form 10-K Summary</a>	25
<a href="#">Signatures</a>	26

## **PART I**

### **Item 1. Business.**

#### **Organization**

Greystone Logistics, Inc. (“Greystone” or the “Company”) was incorporated in Delaware on February 24, 1969, under the name Permaspray Manufacturing Corporation. It subsequently changed its name to Browning Enterprises Inc. in April 1982, to Cabec Energy Corp. in June 1993, to PalWeb Corporation in April 1999 and to Greystone Logistics, Inc. in March 2005, as further described below. In December 1997, Greystone acquired all of the issued and outstanding stock of Plastic Pallet Production, Inc., a Texas corporation (“PPP”), and since that time, Greystone has primarily been engaged in the business of manufacturing and selling plastic pallets.

Effective September 8, 2003, Greystone acquired substantially all of the assets of Greystone Plastics, Inc., an Iowa corporation, through the purchase of such assets by Greystone’s newly formed, wholly-owned subsidiary, Greystone Manufacturing, L.L.C., an Oklahoma limited liability company (“GSM”). Greystone Plastics, Inc. was a manufacturer of plastic pallets used in the beverage industry.

Effective March 18, 2005, the Company caused its newly formed, wholly owned subsidiary, Greystone Logistics, Inc., an Oklahoma corporation, to be merged with and into the Company. In connection with such merger and as of the effective time of the merger, the Company amended its certificate of incorporation by changing its name from PalWeb Corporation to Greystone Logistics, Inc., pursuant to the terms of the certificate of ownership and merger filed by Greystone with the Secretary of State of Oklahoma.

#### **Current Business**

##### **Products**

Greystone’s primary business is the manufacturing of plastic pallets utilizing recycled plastic and selling the pallets through its wholly owned subsidiary, GSM. Greystone sells its pallets through a network of independent contractor distributors and direct sales by its President and sales department. As of May 31, 2023, Greystone had an aggregate in-house production capacity of approximately 225,000 pallets per month from 14 injection molding machines of which 12 are located in Bettendorf, IA and 2 located in Palmyra, MO. In addition, Greystone outsources production for pallets produced by injection molding machines as necessary to accommodate overflow. Greystone’s injection molding machine production as of May 31, 2023 consists of the following:

- 37” X 32” rackable pallet,
- 40” X 32” rackable pallet,
- 37” X 37” rackable pallet,
- 44” X 56” can pallet,
- 48” X 48” rackable pallet,
- 48” X 40” rackable pallet,
- 48” X 44” rackable pallet,
- 48” X 40” nestable pallet with or without detachable runners,
- 45” X 45” nestable pallet with or without detachable bottom deck,
- 24” X 40” display pallet,
- 48” X 40” monoblock (one-piece) pallet,
- Half-barrel keg stackable pallet,
- Slim keg stackable pallet,
- 36” X 36” rackable pallet,
- 48” X 45” monoblock pallet,
- 48” X 45” drum pallet, and
- 48” X 40” mid duty pallet.

In April 2023, Greystone opened a facility in Jasper, IN, through the purchase of equipment, including robotics, that uses an extrusion process to produce plastic pallets. Recycled plastic will be used in the process consistent with Greystone’s green standards. The pallets created from this extrusion process are robotically welded producing pallets in unusual sizes, including 30”X30”, 60”X60” and also 96” X 48” designs.

The principal raw materials used in manufacturing Greystone's plastic pallets are in abundant supply, and some of these materials may be obtained from recycled plastic containers. At the present time, these materials are being purchased from local and national suppliers. If available, materials may also be purchased from international suppliers.

## **Pallet Industry**

Pallets are devices used for moving and storing freight. A pallet is used as a base for assembling, storing, stacking, handling, and transporting goods as a unit load. A pallet is constructed to facilitate the placement of a lift truck's forks between the levels of a platform so it may be moved easily.

Pallets are used worldwide for the transportation of goods and they are primarily made of wood. An estimated 80-90 percent of all U.S. commerce is carried on pallets, which amounts to an estimated 2.6 billion pallets in circulation daily in the United States. The manufacture of wood pallets is estimated to consume more than 45 percent of total U.S. hardwood lumber production. "Pallets move the world," says Dr. Marshall S. "Mark" White, an emeritus professor at Virginia Tech University and director of the William H. Sardo Jr. Pallet and Container Research Laboratory and Center for Packaging and Unit Load Design.

The largest industry users of pallets such as the food, chemical, pharmaceutical, beverage and dairy industries are populated with large public or private entities for which profitable financial performance is paramount. The trend for pallets is expected to expand because of overall pallet demand resulting from growth in the U.S. economy and the current U.S. government administration's efforts to move manufacturing capacity back to the U.S. The operating issues presented by wood pallets have been tolerated to date as there has been no viable alternative in sufficient size for replacement. A report on the market for pallets in North America by Zoe Biller, an industry analyst for Freedonia Group, provided the following on wood and plastic pallets:

**Wood:** Although not highlighted in her report, Biller estimates that about 60% of wooden pallets are used and about 40% are new. Those percentages could shift in favor of new pallets going forward because the industry has been reporting a shortage of quality used pallets, known as cores, for the last year or so. "The core shortage appears to be real and it is going to be part of what's going on going forward," Biller said. "But it should correct itself in the long term as end users buy new pallets that replenish the pool."

Nearly five years ago, Costco announced that it was going entirely to a block pallet. Biller believes Costco's decision is a symptom of the overall trend towards block pallets rather than a driver. "Costco is part of a broader trend towards pallets that are easier to use, especially in an automated system or with pallet jacks," Biller said. Block pallets fit both of those bills. She adds, "There's also a bigger trend to turn products and processes that aren't a core business to a third party and pallet management is definitely part of that trend."

**Plastic:** The move towards plastic appears to be driven by companies that can control their pallet pools and take advantage of plastics' longevity as well as "growing sanitation concerns related to wood pallets," Biller said. "Food safety regulations may have something to do with it going forward." Asked if she was surprised by any of the results, Biller said she was surprised by how far the pallet market declined during the recession. "A big part of the market advance is the need to bring the number of pallets available for use to required levels," she said.

According to Bob Trebilcock of Modern Materials Handling Magazine, one important bullet point for pallet users from the Freedonia report's executive summary was that plastic pallets have seen their strongest advances in percentage terms ever and will continue to record above average growth.

According to Persistence Market Research, rising demand for alternative pallet types is anticipated to boost the growth of plastic pallets in the global pallets market.

In a June 2018 article, Persistence Market Research published an article that non-wood pallets are likely to experience a massive increase in demand across the globe. Among these, plastic pallets are expected to be the most attractive option. The major reason behind the increase in popularity of and demand for plastic pallets is due to the ease with which these can be cleaned. In addition, they are made of recycled materials. This is a very attractive benefit for companies working towards becoming more environmentally friendly. This factor is creating a positive impact on the plastic pallets market.

Another factor which is driving the growth of plastic pallets is the adoption of pallets by new users. The pallet utilization in various regions across the globe is typically low compared to the size of their manufacturing, warehousing, and construction sectors. However, in the coming years, greater numbers of potential pallet users will strive to become more competitive on a global scale by improving operating efficiencies and reducing product damage in shipments through the use of plastic pallets.

The increase in trade volume especially in the Middle East and African regions is also anticipated to fuel the growth of the plastic pallets market. Gulf Cooperation Council countries, located in between the Far East and Europe, can be considered as the gateway to the world's most progressive markets such as India and China. The transport and logistics sector in the Middle East region is showing substantial growth rates with a long-term positive outlook. The plastic pallets market is thus expected to witness significant growth and is a vital link in supply chain and storage.

**With a huge incremental opportunity, the global pallets market is projected to grow at more than 5% Compound Annual Growth Rate (“CAGR”) during the period of assessment.**

During the period 2012 – 2016, the global pallets market expanded at a CAGR of 4.7%. However, during the forecast period – that is between 2018 and 2025 – the market is anticipated to grow at a CAGR of 5.4% owing to increasing demand for better and safe transportation coupled with the rise in demand for pallets from various industries like food, agriculture, chemicals etc. The global pallets market is projected to represent an incremental opportunity of more than \$25 billion between 2018 and 2025.

### **Types of Pallets**

The most common size pallet is the 48” x 40” 4-way pallet, known as the GMA (Grocery Manufacturer Association) pallet, “GMA 48 x 40 Pallet,” or “GMA Block Pallet.” The GMA pallet acts as a commodity in the pallet industry, as price is often determined by availability. As wood pallets move through their life cycle from a new pallet to a used pallet, they are repaired and put back in service until they are sent to a landfill or used as wood compost.

Pallets are the primary interface between the packaged product and today's highly automated material handling equipment. Although pallets are not the most glamorous part of the warehouse, they are important because users have expectations based on specifications and wood pallets lack critical manufacturing details that determine performance. The end user becomes frustrated when these pallets do not perform to expectation. Shipments can be damaged or rejected entirely resulting in significant product and revenue losses. This angst is aggravated when new multi-million-dollar automated systems are in use.

### **Employees**

As of May 31, 2023, Greystone had full-time equivalents (“FTE's” is a unit of measure that translates number of weekly hours worked by all employees where 40 hours per week is a single person) of approximately 179 full time employees. A temporary personnel service provides additional production personnel on an as needed basis of which there were FTE's of approximately 109 employees as of May 31, 2023.

### **Marketing and Customers**

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 sells to customers through contract distributors or by direct contract through its President and other employees.

Greystone's customers generally either have a recurring need for pallets such as a distributor and an end-user who acquires pallets for a closed loop distribution system or end users who acquire pallets for internal warehouse use. The latter group of customers may or may not have a recurring demand for pallets each year. Accordingly, revenues from customers that qualify as substantial in any one year may vary. During fiscal years 2023 and 2022, Greystone derived a substantial portion of its revenue from three customers. These customers accounted for approximately 73% and 76% of total sales in fiscal years 2023 and 2022, respectively. Greystone's recycled plastic pallets are designed to meet the respective customer's needs and are the only pallets approved for use by these customers. There is no assurance that Greystone will retain these customers' business at the same level, or at all. The loss of a material amount of business from one of these customers could have a material adverse effect on Greystone.

## **Competition**

Greystone's primary competitors are a large number of small, privately held firms that sell wood pallets in very limited geographic locations. Greystone believes that it can compete with manufacturers of wood pallets by emphasizing the cost savings realized over the longer life of its plastic pallets, as well as the environmental benefits (principally elimination from landfill and recycling) of its plastic pallets as compared to wood pallets. Greystone also competes with three large and approximately ten small manufacturers of plastic pallets. Some of Greystone's competitors may have substantially greater financial and other resources than Greystone and, therefore, may be able to commit greater resources than Greystone in the areas of product development, manufacturing and marketing. However, Greystone believes that its proprietary designs coupled with the competitive pricing of its products gives Greystone an advantage over other plastic pallet manufacturers.

## **Government Regulation**

Although Greystone recycles approximately 60 million pounds of post-consumer plastic per year which would otherwise be destined for the landfill, business operations of Greystone are subject to existing and potential federal, state and local environmental laws and regulations pertaining to the handling and disposition of wastes (including solid and hazardous wastes) or otherwise relating to the protection of the environment. In addition, both the plastics industry and Greystone are subject to existing and potential federal, state, local and foreign legislation designed to reduce solid wastes by requiring, among other things, plastics to be degradable in landfills, minimum levels of recycled content, various recycling requirements, disposal fees and limits on the use of plastic products.

## **Patents and Trademarks**

Greystone seeks to protect its technical advances by pursuing national and international patent protection for its products and methods when appropriate.

## **Management Plastic Pallet Summation**

For over 30 years, both timber prices and landfill fees have increased and have compelled businesses to modify the way pallets are managed. Businesses can evaluate and improve their pallet management systems and reduce associated waste by utilizing recycled plastic pallets.

According to the U.S. Environmental Protection Agency, deforestation is a significant contributor to global carbon dioxide gas emissions. Deforestation leads to CO<sub>2</sub> emissions because the carbon sequestered in trees is emitted into the atmosphere and not counter-balanced by re-growth of new trees. Additionally, estimates are that up to 20 percent of total pallet wood waste ends up in land fill.

ESG, an acronym for environmental, social and governance, consists of three broad categories or areas of interest of what is termed "socially responsible investors." Within each ESG category are various specific related concerns that may or may not be pertinent in a given situation depending on the specific investment being examined. The environmental category concerns include pollution or waste material that a company produces and factors related to climate change. The environmental circumstances surrounding deforestation imply that continued and growing interest in ESG compliance will lead companies to strongly consider the change to plastic pallets. Use of recycled plastics to produce pallets, as Greystone does, demonstrates commitment to ESG by reducing plastic disposition to landfills.

Greystone's management believes that the gradual shifting trend from wood to 100 percent recyclable plastic pallets will continue, with the primary limiting factors being a front-end higher price and some regulatory limits to certain applications of pallet use. The savings come in recyclability and significantly longer life which lowers the cost per trip dramatically. Greystone intends to continue to conduct research on pallet design for strength and coefficient of friction, on the materials used to make the plastic pallets as required to meet market demands and to improve its existing products. Plastic pallets reduce wood waste, are hygienic, weigh less which lowers fuel consumption and transport costs and are fully recyclable.

**Item 1A. Risk Factors.**

*Our business could be affected by changes in the availability of raw materials.*

Greystone uses a proprietary mix of raw materials to produce its plastic pallets. Such raw materials are generally readily available, and some may be obtained from a broad range of recycled plastic suppliers and unprocessed waste plastic. At the present time, these materials are being purchased from local and national suppliers. If available, these materials may also be purchased from international suppliers. The availability of Greystone's raw materials could change at any time for various reasons. For example, the market demand for Greystone's raw materials could suddenly increase, or the rate at which plastic materials are recycled could decrease, affecting both availability and price. Additionally, the laws and regulations governing the production of plastics and the recycling of plastic containers could change and, as a result, affect the supply of Greystone's raw materials. Any interruption in the supply of raw materials or components could have a material adverse effect on Greystone. Furthermore, certain potential alternative suppliers may have pre-existing exclusive relationships with Greystone's competitors and others that may preclude Greystone from obtaining raw materials from such suppliers.

*Greystone's business could be affected by competition and rapid technological change.*

Greystone currently faces competition from many companies that produce wooden pallets at prices that are substantially lower than the prices Greystone and other companies that manufacture plastic pallets charge for their plastic pallets. It is anticipated that the plastic pallet industry will be subject to intense competition and rapid technological change. Greystone could potentially face additional competition from recycling and plastics companies, many of which have substantially greater financial and other resources than Greystone and, therefore, are able to spend more than Greystone in areas such as product development, manufacturing and marketing. Competitors may develop products that render Greystone's products or proposed products uneconomical or result in products being commercialized that may be superior to Greystone's products. In addition, alternatives to plastic pallets could be developed, which would have a material adverse effect on Greystone.

*We are dependent on a few large customers.*

Greystone derives a large portion of its revenue from a few large customers and expects that this trend will continue in the foreseeable future. Three customers currently account for approximately 73% of its total sales in fiscal year 2023 (76% in fiscal year 2022). There is no assurance that Greystone will retain these customers' business at the same level, or at all. The loss of a material amount of business from one of these customers would have a material adverse effect on Greystone.

*We may not be able to effectively protect Greystone's patents and proprietary rights.*

Greystone relies upon a combination of patents and trade secrets to protect its proprietary technology, rights and know-how. There can be no assurance that such patent rights will not be infringed upon, that Greystone's trade secrets will not otherwise become known to or independently developed by competitors, that non-disclosure agreements will not be breached, or that Greystone would have adequate remedies for any such infringement or breach. Litigation may be necessary to enforce Greystone's proprietary rights or to defend Greystone against third-party claims of infringement. Such litigation could result in substantial cost to, and a diversion of effort by, Greystone and its management and may have a material adverse effect on Greystone. Greystone's success and potential competitive advantage is dependent upon its ability to exploit the technology under these patents. There can be no assurance that Greystone will be able to exploit the technology covered by these patents or that Greystone will be able to do so exclusively.



*Our business could be affected by changes or new legislation regarding environmental matters.*

Greystone's business is subject to changing federal, state and local environmental laws and regulations pertaining to the discharge of materials into the environment, the handling and disposition of waste (including solid and hazardous waste) or otherwise relating to the protection of the environment. As is the case with manufacturers in general, if a release of hazardous substances occurs on or from Greystone's properties or any associated off-site disposal location, or if contamination from prior activities is discovered at any of Greystone's properties, Greystone may be held liable. No assurances can be given that additional environmental issues will not require future expenditures. In addition, the plastics industry is subject to existing and potential federal, state, local and foreign legislation designed to reduce solid wastes by requiring, among other things, plastics to be degradable in landfills, minimum levels of recycled content, various recycling requirements and disposal fees and limits on the use of plastic products. Also, various consumer and special interest groups have lobbied from time to time for the implementation of these and other similar measures. Although Greystone believes that the legislation promulgated to date and such initiatives to date have not had a material adverse effect on it, there can be no assurance that any such future legislative or regulatory efforts or future initiatives would not have a material adverse effect.

*Our business could be subject to potential product liability claims.*

The testing, manufacturing and marketing of Greystone's products and proposed products involve inherent risks related to product liability claims or similar legal theories that may be asserted against Greystone, some of which may cause Greystone to incur significant defense costs. Although Greystone currently maintains product liability insurance coverage that it believes is adequate, there can be no assurance that the coverage limits of its insurance will be adequate under all circumstances or that all such claims will be covered by insurance. In addition, these policies generally must be renewed every year. While Greystone has been able to obtain product liability insurance in the past, there can be no assurance it will be able to obtain such insurance in the future on all of its existing or future products. A successful product liability claim or other judgment against Greystone in excess of its insurance coverage, or the loss of Greystone's product liability insurance coverage could have a material adverse effect upon Greystone.

*Greystone currently depends on certain key personnel.*

Greystone is dependent on the experience, abilities and continued services of its current management. In particular, Warren Kruger, Greystone's President and CEO, has played a significant role in the development, management and financing of Greystone. The loss or reduction of services of Warren Kruger or any other key employee could have a material adverse effect on Greystone. In addition, there is no assurance that additional managerial assistance will not be required, or that Greystone will be able to attract or retain such personnel.

*Greystone's executive officers and directors control a large percentage of Greystone's outstanding common stock and all of Greystone's 2003 preferred stock, which entitles them to certain voting rights, including the right to elect a majority of Greystone's Board of Directors.*

Greystone's executive officers and directors (and their affiliates), in the aggregate, own approximately 44.7% of Greystone's outstanding common stock and have approximately 50.6% of the voting power. Therefore, Greystone's executive officers and directors can have significant influence with respect to the outcome of matters submitted to Greystone's shareholders for approval (including the election and removal of directors and any merger, consolidation or sale of all or substantially all of Greystone's assets) and to control Greystone's management and affairs. In addition, two of Greystone's directors (including one who also serves as Greystone's chief executive officer) own all of Greystone's outstanding 2003 preferred stock, with each owning 50%. The terms and conditions of Greystone's 2003 preferred stock provide that such holder has the right to elect a majority of Greystone's Board of Directors. Such concentration of ownership may have the effect of delaying, deferring or preventing a change in control, impeding a merger, consolidation, takeover or other business combination or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control, which in turn could have an adverse effect on the market price of Greystone's common stock.

*Our common stock is a "penny stock" under SEC rules. It may be more difficult to sell securities classified as "penny stock."*

Our common stock is a "penny stock" under applicable SEC rules (generally defined as non-exchange traded stock with a per-share price below \$5.00). Unless we successfully list our common stock on a national securities exchange, or maintain a per-share price above \$5.00, these rules impose additional sales practice requirements on broker-dealers that recommend the purchase or sale of penny stocks to persons other than those who qualify as "established customers" or "accredited investors." For example, broker-dealers must determine the appropriateness for non-qualifying persons of investments in penny stocks. Broker-dealers must also provide, prior to a transaction in a penny stock not otherwise exempt from the rules, a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, disclose the compensation of the broker-dealer and its salesperson in the transaction, furnish monthly account statements showing the market value of each penny stock held in the customer's account, provide a special written determination that the penny stock is a suitable investment for the purchaser, and receive the purchaser's written agreement to the transaction.

Legal remedies available to an investor in “penny stocks” may include the following:

- If a “penny stock” is sold to the investor in violation of the requirements listed above, or other federal or states securities laws, the investor may be able to cancel the purchase and receive a refund of the investment.
- If a “penny stock” is sold to the investor in a fraudulent manner, the investor may be able to sue the persons and firms that committed the fraud for damages.

These requirements may have the effect of reducing the level of trading activity, if any, in the secondary market for a security that becomes subject to the penny stock rules. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from effecting transactions in our securities, which could severely limit the market price and liquidity of our securities. These requirements may restrict the ability of broker-dealers to sell our common stock and may affect your ability to sell our common stock.

Many brokerage firms will discourage or refrain from recommending investments in penny stocks. Most institutional investors will not invest in penny stocks. In addition, many individual investors will not invest in penny stocks due, among other reasons, to the increased financial risk generally associated with these investments.

For these reasons, penny stocks may have a limited market and, consequently, limited liquidity. We can give no assurance at what time, if ever, our common stock will not be classified as a “penny stock” in the future.

*Substantial future sales of shares of our common stock could cause the market price of our common stock to decline.*

The market price of shares of our common stock could decline as a result of substantial sales of our common stock, particularly sales by our directors, executive officers and significant stockholders, a large number of shares of our common stock becoming available for sale or the perception in the market that holders of a large number of shares intend to sell their shares.

*Greystone’s stock trades in a limited public market and is subject to price volatility. There can be no assurance that an active trading market will develop or be sustained.*

There has been a limited public trading market for Greystone’s common stock and there can be no assurance that an active trading market will develop or be sustained. The trading price of Greystone’s common stock could be subject to significant fluctuations in response to variations in quarterly operating results or even mild expressions of interest on a given day. Accordingly, Greystone’s common stock should be expected to experience substantial price changes in short periods of time. Even if Greystone is performing according to its plan and there is no legitimate company-specific financial basis for this volatility, it must still be expected that substantial percentage price swings will occur in Greystone’s common stock for the foreseeable future. In addition, the limited market for Greystone’s common stock may restrict Greystone’s shareholders ability to liquidate their shares.

*Greystone does not expect to declare or pay any dividends on its common stock in the foreseeable future.*

Greystone has not declared or paid any dividends on its common stock. Greystone currently intends to retain future earnings to fund the development and growth of its business, to repay indebtedness and for general corporate purposes, and, therefore, does not anticipate paying any cash dividends on its common stock in the foreseeable future. Pursuant to the terms and conditions of certain loan documentation with International Bank of Commerce and the terms and conditions of Greystone’s 2003 preferred stock, Greystone is restricted in its ability to pay dividends to holders of its common stock.

*Greystone may issue additional equity securities, which would lead to further dilution of Greystone’s issued and outstanding stock.*

The issuance of additional common stock or securities convertible into common stock would result in further dilution of the ownership interest in Greystone held by existing shareholders. Greystone is authorized to issue, without shareholder approval, an additional 20,700,000 shares of preferred stock, \$0.0001 par value per share, in one or more series, which may give other shareholders dividend, conversion, voting and liquidation rights, among other rights, which may be superior to the rights of holders of Greystone’s common stock. In addition, Greystone is authorized to issue, without shareholder approval, over 4.9 billion additional shares of its common stock and securities convertible into common stock.

*We may not have sufficient insurance coverage and an interruption of our business or loss of a significant amount of property could have a material adverse effect on our financial condition and operations.*

We currently do not maintain any insurance policies against loss of key personnel. We do maintain insurance coverage for business interruption as well as product liability claims. In addition, we do maintain director and officer insurance coverage. If any event were to occur which required our insurance coverage to be applicable as well as a loss of key personnel, our business, financial performance, and financial position may be materially and adversely affected.

*We could become involved in claims or litigations that may result in adverse outcomes.*

From time-to-time we may be involved in a variety of claims or litigations. Such proceeding may initially be viewed as immaterial but could prove to be material. Litigations are inherently unpredictable and excessive verdicts do occur. Given the inherent uncertainties in litigation, even when we can reasonably estimate the amount of possible loss or range of loss and reasonably estimable loss contingencies, the actual outcome may change in the future due to new developments or changes in approach. In addition, such claims or litigations could involve significant expense and diversion of management's attention and resources from other matters.

*Security breaches of confidential customer and employee information may adversely affect our business.*

Our business requires the collection, transmission and retention of large volumes of customer and employee data, including personally identifiable information, in various information technology systems that are maintained internally and by third parties with whom we contract to provide services. The integrity and protection of that employee data is critical to us. Our customers and employees have a high expectation that we and our service providers will adequately protect their personal information. The information, security and privacy requirements imposed by governmental regulation are increasingly demanding. Our systems may not be able to satisfy these changing requirements and customer and employee expectations or may require significant additional investments or time in order to do so. Efforts to hack or breach security measures, failures of systems or software to operate as designed or intended, viruses, operator error or inadvertent releases of data all threaten our information systems and records. A breach in the security of our service providers' information technology systems could lead to an interruption in the operation of our systems, resulting in operational inefficiencies and a loss of profits. A significant theft, loss or misappropriation of, or access to, customers' or other proprietary data or other breach of our information technology systems could result in fines, legal claims or proceedings, including regulatory investigations and actions, or liability for failure to comply with privacy and information security laws, which could disrupt our operations, damage our reputation and expose us to claims from customers and employees, any of which could have a material adverse effect on our financial condition and results of operations.

*As a result of being a public company, we are subject to additional reporting and corporate governance requirements that require additional management time, resources, and expense.*

As a public company we are obligated to file with the SEC annual and quarterly information and other reports that are specified in the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We are also subject to other reporting and corporate governance requirements under the Sarbanes-Oxley Act of 2002, as amended, and the rules and regulations promulgated thereunder, all of which impose significant compliance and reporting obligations upon us and require us to incur additional expense in order to fulfill such obligations.

*If we fail to maintain effective internal control over financial reporting, the price of our securities may be adversely affected.*

Our internal control over financial reporting may have weaknesses and conditions that could require correction or remediation, the disclosure of which may have an adverse impact on the price of our common stock. We are required to establish and maintain appropriate internal control over financial reporting. Failure to establish those controls, or any failure of those controls once established, could adversely affect our public disclosures regarding our business, prospects, financial condition or results of operations. In addition, management's assessment of internal control over financial reporting may identify weaknesses and conditions that need to be addressed in our internal control over financial reporting or other matters that may raise concerns for investors. Any actual or perceived weaknesses and conditions that need to be addressed in our internal control over financial reporting or disclosure of management's assessment of our internal control over financial reporting may have an adverse impact on the price of our common stock.

*We are required to comply with certain provisions of Section 404 of the Sarbanes-Oxley Act and if we fail to continue to comply, our business could be harmed and the price of our securities could decline.*

Rules adopted by the SEC pursuant to Section 404 of the Sarbanes-Oxley Act require an annual assessment of internal control over financial reporting, and for certain issuers an attestation of this assessment by the issuer's independent registered public accounting firm. The standards that must be met for management to assess the internal control over financial reporting as effective are evolving and complex, and require significant documentation, testing, and possible remediation to meet the detailed standards. We expect to incur significant expenses and to devote resources to Section 404 compliance on an ongoing basis. It is difficult for us to predict how long it will take or costly it will be to complete the assessment of the effectiveness of our internal control over financial reporting for each year and to remediate any deficiencies in our internal control over financial reporting. As a result, we may not be able to complete the assessment and remediation process on a timely basis. In the event that our Chief Executive Officer or Principal Financial Officer determines that our internal control over financial reporting is not effective as defined under Section 404, we cannot predict how regulators will react or how the market prices of our securities will be affected; however, we believe that there is a risk that investor confidence and the market value of our securities may be negatively affected.

*Shares eligible for future sale may adversely affect the market.*

From time to time, certain of our stockholders may be eligible to sell all or some of their shares of common stock by means of ordinary brokerage transactions in the open market pursuant to Rule 144 promulgated under the Securities Act, subject to certain limitations. In general, pursuant to Rule 144, non-affiliate stockholders may sell freely after six months, subject only to the current public information requirement. Affiliates may sell after six months, subject to the Rule 144 volume, manner of sale (for equity securities), current public information, and notice requirements. Of the approximately 28,000,000 shares of our common stock outstanding as of May 31, 2023, approximately 15,000,000 shares are tradable without restriction. Given the limited trading of our common stock, resale of even a small number of shares of our common stock pursuant to Rule 144 or an effective registration statement may adversely affect the market price of our common stock.

*We do not have any long-term contracts with our suppliers or with our customers, and we do not have many written contracts with our customers, and if we can't maintain these relationships or if we or our suppliers experience manufacturing problems or delays, our financial results will be negatively affected.*

We do not have any long-term contracts with our suppliers or with our customers for our current or planned products. We also do not have many written contracts with our customers. There can be no assurance that these suppliers will continue to sell to us on prior or current terms, or at all and likewise there can also be no assurance that our customers will continue to purchase from us or that we can obtain customers to purchase our planned products. We may not be able to maintain our relationships with our suppliers and customers, or we may be unable to find alternate suppliers or customers in a timely fashion. Should this occur, our revenues and results of operations will be negatively affected. Additionally, we or our suppliers may encounter unforeseen delays or shortfalls in manufacturing, and our suppliers' production processes may have to change to accommodate any significant future expansion of our manufacturing capacity, which may increase our or our suppliers' manufacturing costs, delay production of our current and planned products, reduce our product gross margin and adversely impact our business. If we are unable to keep up with demand for our current and planned products by maintaining our relationships with our suppliers or successfully manufacturing and shipping our products in a timely manner, our revenue could be impaired, market acceptance for our current and planned products could be adversely affected and our customers might instead purchase our competitors' products. In addition, developing manufacturing procedures for new products may require developing specific production processes for those products. Developing such processes could be time consuming and any unexpected difficulty in doing so can delay the introduction of a product.

*An unexpected interruption in our warehousing facilities or if there is a lack of capacity at our warehousing facilities, it could reduce our sales and margins.*

We store products in our warehouses that we then ship to customers or distributors. If we run out of capacity, we won't be able to store as many products and may not be able to maintain all products in an efficient manner. Additionally, if there is any unexpected interruption to our warehousing facilities, for any reason, such as loss of certifications or licenses, as a result of weather, terrorism or acts of war, fire, earthquake, or other national disaster, a work stoppage or other labor-related disruption, electrical outages, or other events, it could result in significant reductions to our sales and margins and could have a material adverse effect on our business, financial condition or results of operations.

*Any interruption to our distribution channels for our products could adversely affect our sales and results of operations.*

Any interruption to our distribution channels for our products for any reason, such as disruption of distribution channels as a result of weather, terrorism or acts of war, fire, earthquake, or other national disaster, a work stoppage or other labor-related disruption, could adversely affect our sales and results of operations.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

Greystone’s operations are performed at:

- Two primary buildings for a total of 120,000 square feet of manufacturing and warehouse space located on approximately 3 acres of land in Bettendorf, Iowa. These buildings are leased from Greystone Real Estate, L.L.C. (“GRE”) which is owned by Robert B. Rosene, Jr., a director of Greystone. The manufacturing and warehouse space is sufficiently equipped and designed to accommodate the manufacturing of plastic pallets and is also used for grinding, processing and pelletizing recycled plastic. The lease has a primary term through July 31, 2032, with an option by Greystone to extend for 5 years, and initially provides for monthly rent of \$44,500 with escalations of 5% every 5 years.
- Three buildings owned by Greystone located within a 30-mile radius of its primary facility for an additional 95,000 square feet of warehouse space. These buildings are currently used for warehousing inventory and grinding operations.
- Facility in Palmyra, MO, housing two of Greystone’s injection molding machines. Production in this facility will be outsourced to the lessor with terms to be determined.
- Facility in Jasper, IN, housing Greystone’s extrusion processing machines. Production in this facility will be outsourced to the lessor with terms to be determined.

We believe that these facilities are adequate for our current and near-term needs.

**Item 3. Legal Proceedings.**

From time to time, we may be involved in various claims and legal actions arising in the ordinary course of business. To the knowledge of our management, there are no legal proceedings currently pending against us which we believe would have a material effect on our business, financial position or results of operations and, to the best of our knowledge, there are no such legal proceedings contemplated or threatened.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**PART II****Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.****Market Information**

Greystone’s common stock is traded on the OTCQB under the symbol “GLGI.” The following table sets forth the range of high and low per share bid quotations for Greystone’s common stock during the time periods indicated. Quotations reflect inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions. The source of the foregoing quotations was the Financial Industry Regulatory Composite Feed or other qualified inter dealer quotation medium as provided by OTC Market Group, Inc.:

<b>Quarter Ended</b>	<b>High</b>		<b>Low</b>	
August 31, 2021	\$	1.47	\$	0.98
November 30, 2021	\$	1.35	\$	0.82
February 28, 2022	\$	1.16	\$	0.80
May 31, 2022	\$	1.00	\$	0.67
August 31, 2022	\$	0.85	\$	0.70
November 30, 2022	\$	0.87	\$	0.69
February 28, 2023	\$	0.72	\$	0.44
May 31, 2023	\$	0.82	\$	0.57
August 31, 2023 (1)	\$	1.02	\$	0.77

(1) Reflects activity through August 11, 2023 only.

## **Holders**

As of May 31, 2023, Greystone had approximately 211 common stockholders of record.

## **Dividends**

Greystone paid no cash dividends to its common stockholders during the last two fiscal years and does not plan to pay any cash dividends in the near future. The loan agreement dated July 29, 2022 (the “IBC Loan Agreement”), as amended, among Greystone, GSM and International Bank of Commerce (“IBC”) prohibits Greystone from declaring or paying any dividends to its common stockholders without IBC’s prior written consent. See Note 5 to the consolidated financial statements for additional information. In addition, accrued preferred stock dividends must be paid before a dividend on common stock may be declared or paid, as set forth in the Certificate of Designation, Preferences, Rights and Limitations relating to the preferred stock. See Note 11 to the consolidated financial statements and “Liquidity and Capital Resources” in Item 7 of this Form 10-K for additional information.

Greystone paid dividends on its 2003 preferred stock in the amounts of \$446,644 and \$243,082 during fiscal years 2023 and 2022, respectively.

## **Item 6. [Reserved].**

## **Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

### **Cautionary Statement Regarding Forward-Looking Information**

This Annual Report on Form 10-K includes “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 statements concern Greystone’s plans, expectations and objectives for future operations. All statements, other than statements of historical facts, included in this Form 10-K that address activities, events or developments that Greystone expects, believes or anticipates will or may occur in the future are forward-looking statements. The words “believe,” “plan,” “intend,” “anticipate,” “estimate,” “project,” and similar expressions are intended to identify forward-looking statements. These forward-looking statements include, among others, such things as:

- expansion and growth of Greystone’s business and operations
- future financial performance;
- future acquisitions and developments;
- potential sales of products;
- future financing activities; and
- business strategy.

These forward-looking statements are based on assumptions that Greystone believes are reasonable based on current expectations and projections about future events and industry conditions and trends affecting Greystone’s business. However, whether actual results and developments will conform to Greystone’s expectations and predictions is subject to a number of risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements, including those factors discussed under the section of this Form 10-K entitled “Risk Factors.” In addition, Greystone’s historical financial performance is not necessarily indicative of the results that may be expected in the future and Greystone believes that such comparisons cannot be relied upon as indicators of future performance.

## **Results of Operations**

### **General**

The consolidated financial statements include Greystone and its two wholly owned subsidiaries, Greystone Manufacturing, L.L.C. (“GSM”), and Plastic Pallet Production, Inc. (“PPP”), and one variable interest entity, Greystone Real Estate, L.L.C. (“GRE”). Effective July 29, 2022, GRE was no longer deemed to be a beneficiary of Greystone and, accordingly, was deconsolidated on the effective date as discussed further in Note 1 to the consolidated financial statements.

Greystone’s primary business is the manufacturing of plastic pallets utilizing recycled plastic and selling the pallets through one of its wholly owned subsidiaries, GSM.

As of May 31, 2023 and 2022, Greystone had FTE’s of approximately 179 and 217 employees, respectively. Temporary personnel from a personnel service entity are utilized as needed. There were FTE’s of approximately 109 and 81 temporary personnel as of May 31, 2023 and 2022, respectively. Greystone’s in-house production capacity for its injection molding machines capable of producing pallets is approximately 225,000 plastic pallets per month, or 2,700,000 per year. Production levels will vary proportionately as a result of the pallet design, machine downtime or customer restrictions for maintaining stringent sizing on certain pallets.

### **Year Ended May 31, 2023 Compared to Year Ended May 31, 2022**

#### **Sales**

Sales were \$60,758,962 for fiscal year 2023 compared to \$74,170,351 for fiscal year 2022 representing a decrease of \$13,411,389, or about 18%. Fiscal year 2023 was a turn-around period to recover from declining sales as customers shied away from inflationary pricing during the pandemic period. As raw material pricing returned to relatively normal historic levels during the second quarter of fiscal year 2023, the Company focused its efforts on rebuilding relations with existing customers as well as seeking new customers. The achievement of a 4.90% increase in gross margin over fiscal year 2022 was significant despite an approximate 25% decrease in number of pallets sold. Timing also impacted sales in fiscal year 2023 as a result of a customer who provides its own material incurring delays in transporting certain material to Greystone. The delays of transporting of such certain material began at the end of the fourth quarter and we expect the delays to resolve in fiscal year 2024.

Greystone had three customers who accounted for approximately 73% and 76% of total sales in fiscal years 2023 and 2022, respectively. Customers that account for significant sales may vary in any one year. Generally, customers purchasing substantial quantities to replace or add pallets to their inventory consistently comprise a significant portion of sales. Any customer(s) needing a substantial quantity of pallets to fulfill a specific need may vary from year to year.

#### **Cost of Sales**

Cost of sales was \$51,427,409 (85% of sales) and \$66,395,792 (89% of sales) in fiscal years 2023 and 2022, respectively. The decrease in the ratio of cost of sales to sales (the “ratio”) in fiscal year 2023 from fiscal year 2022 was the result of several factors, including a decline in the price of raw materials toward relatively historic levels and stabilization of production personnel offset somewhat by the effect of Greystone’s inflexible fixed production costs on decreased levels of production.

#### **Selling, General and Administrative Expenses**

Selling, general and administrative (SGA) expenses were \$5,100,170, (8.4% of sales) for fiscal year 2023 compared to \$5,200,387 (7.0% of sales) for fiscal year 2022, representing a decrease of \$100,217. Legal expenses of approximately \$494,000 during fiscal year 2022 were primarily attributable to an arbitration proceeding which was terminated with prejudice in fiscal year 2022. The decrease in legal fees in fiscal year 2023 was primarily offset by increases in personnel costs.

#### **Other Income (Expenses)**

During fiscal years 2023 and 2022, Greystone received \$4,911,863 and \$241,814, respectively, reimbursement from the Department of Treasury for refundable tax credits against certain employment taxes pursuant to the Employee Retention Credit (“ERC”) under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”).

As a result of the deconsolidation of GRE, the Company recognized a gain of \$569,997 in fiscal year 2023 which was attributable to a deferred gain from Greystone’s sell and leaseback of the building to GRE in the prior years.

In fiscal year 2021, Greystone received a Paycheck Protection Program loan in the amount of \$3,034,000 from the Small Business Administration (“SBA”) under the CARES Act which provided emergency loans to qualifying businesses. During fiscal year 2022, the SBA provided forgiveness of the Paycheck Protection Program loan plus accrued interest resulting in a gain of \$3,068,497.

Other income for fiscal years 2023 and 2022 included:

	<b>2023</b>	<b>2022</b>
Interest income	\$ 317,797	\$ 1,472
Gain (loss) on disposition of property, plant and equipment	(2,972)	22,336
Other	10,774	15,427
Total Other Income	<u>\$ 325,599</u>	<u>\$ 39,235</u>

Interest expense was \$1,189,034 in fiscal year 2023 compared to \$841,701 in fiscal year 2022 for an increase of \$347,333. This increase is primarily attributable to the increase in the prime rate of interest which was 8.25% as of May 31, 2023, compared to 5.50% as of May 31, 2022.

#### **Provision for Income Taxes**

The provision for income taxes was \$2,461,700 in fiscal year 2023 compared to \$535,417 in fiscal year 2022. The effective tax rate differs from federal statutory rates due to net income from GRE which, as a limited liability company, is not taxed at the corporate level, state income taxes, income which is not subject to income tax in fiscal year 2022, charges which have no income tax benefit and changes in the valuation allowance.

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

Net income was \$6,388,108 in fiscal year 2023 compared to \$4,546,600 in fiscal year 2022 for an increase of \$1,841,508 for the reasons discussed above.

### Net Income Attributable to Common Stockholders

After deducting preferred dividends and income attributable to non-controlling interests, the net income attributable to common stockholders was \$5,842,828, or \$0.21 per share, in fiscal year 2023 compared to \$3,938,478, or \$0.14 per share, in fiscal year 2022 for the reasons discussed above.

## Liquidity and Capital Resources

### **General**

A summary of Greystone's cash flows for the year ended May 31, 2023, was as follows:

Cash provided by operating activities	\$	3,871,618
Cash used in investing activities	\$	(9,127,176)
Cash provided by financing activities	\$	2,808,252

The cash provided by operating activities was impacted by the utilization of approximately \$5.3 million of customer deposits during the current fiscal year. The cash provided by financing operations included new term loans of approximately \$13.2 million for the acquisition of equipment and approximately \$1.7 million in capital provided by the non-controlling interest to pay off the mortgage loan of GRE, offset by principal payments of approximate \$9.3 million on term loans and financing leases and \$2.2 million net reduction on the revolver loan.

Contractual obligations of Greystone as of May 31, 2023, were as follows:

	<u>Total</u>	<u>1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>	<u>Over 5 years</u>
Long-term debt	\$ 17,253,279	\$ 2,249,570	\$ 6,177,061	\$ 8,312,713	\$ 513,935
Operating lease rents	\$ 7,992,248	\$ 552,557	\$ 1,069,291	\$ 1,090,300	\$ 5,280,100
Financing lease rents	\$ 62,747	\$ 39,062	\$ 23,685	\$ -	\$ -
Commitments	\$ 405,562	\$ 405,562	\$ -	\$ -	\$ -

Greystone had a working capital of \$4,993,222 as of May 31, 2023.



Greystone's principal long-term debt obligations include a \$6,000,000 revolving line of credit and several term notes with various maturities. To provide for the funding to meet Greystone's operating activities and contractual obligations as of May 31, 2023, Greystone will have to continue to produce positive operating results or explore various options including 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 financing to meet these obligations.

A substantial portion of debt financing that Greystone received through May 31, 2023, has been provided by loans or through bank loan guarantees from the 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 either will do so.

Greystone has 50,000 outstanding shares of cumulative 2003 Preferred Stock for a total of \$5,000,000 with a preferred dividend rate at the prime rate of interest plus 3.25% (11.50% as of May 31, 2023). Greystone paid accrued dividends to its preferred stockholders during fiscal years 2023 and 2022 of \$446,644 and \$243,082, respectively, and plans to continue to make preferred stock dividend payments to the holders of its preferred stock as allowed under the terms of the IBC Restated Loan Agreement as discussed herein under the caption "Loans from International Bank of Commerce" which allows for such payments not to exceed \$500,000 per year. 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, additional financing or otherwise. Further, pursuant to the terms and conditions of certain loan documentation with International Bank of Commerce, as discussed herein under the caption "Loans from International Bank of Commerce," and the terms and conditions of Greystone's 2003 preferred stock, Greystone is restricted in its ability to pay dividends to holders of its common stock.

#### **Transactions with Warren Kruger and Related Entities**

Yorktown Management & Financial Services, LLC ("Yorktown"), an entity wholly owned by Mr. Kruger, Greystone's CEO and President, owns and rents to Greystone certain grinding equipment used to grind raw materials and certain extruders for pelletizing recycled plastic into pellets for use as raw material in the manufacture of pallets. Greystone compensates Yorktown for the use of equipment as discussed below.

*Rental fees.* GSM pays weekly rental fees of \$27,500 to Yorktown for grinding equipment and pelletizing equipment. Total rental fees of approximately \$1,430,000 were paid in both fiscal years 2023 and 2022.

Yorktown provides administrative office space for Greystone in Tulsa, Oklahoma under a month-to-month agreement at a rental rate of \$5,200 per month.

*Sale and leaseback transaction.* Effective December 28, 2018, Greystone and Yorktown entered into an agreement whereby Greystone sold certain newly acquired equipment to Yorktown at net book value, \$968,168 and leased the equipment from Yorktown under a four-year agreement at a monthly rent of \$27,915 for the initial thirty-six months and \$7,695 for the remaining twelve months. The lease agreement ended on December 28, 2022, whereby Greystone exercised its option to purchase and paid \$10,000 for the equipment.

#### **Loans from International Bank of Commerce ("IBC")**

On July 29, 2022, Greystone and International Bank of Commerce ("IBC") entered into an Amended and Restated Loan Agreement (the "Restated IBC Loan Agreement") as further described in Note 5, Long-Term Debt, of the consolidated financial statements. The Restated IBC Loan Agreement provides for the IBC to make to Greystone (i) a term loan in the amount of \$7,854,708 to consolidate all existing term loans in the aggregate amount of \$2,669,892 with Lender, extend credit in the amount of \$3,271,987 to pay off a note payable to Robert B. Rosene, Jr. and extend additional credit in the amount of \$1,912,829 to fund the purchase of the equipment subject to the iGPS Logistics, LLC, leases, (ii) an advancing term loan facility whereby Greystone may obtain advances up to the aggregate amount of \$7,000,000 subsequently increased by \$1,000,000 under the First Amendment dated May 5, 2023 (items i and ii referred to as "Term Loans"), and (iii) a renewal of the revolving loan with an increase of \$2,000,000 (the "Revolving 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 \$6,000,000. The Restated Loan Agreement requires limited guarantees from Warren F. Kruger, President and CEO, and Robert B. Rosene, Jr., a director of Greystone.

## **Transactions with Robert B. Rosene, Jr.**

Effective June 1, 2016, Greystone issued a note payable to Robert B. Rosene, Jr. to refinance an earlier note plus accrued interest in the principal amount of \$4,541,690 with an interest rate of 7.5%. The note was paid off on August 3, 2022.

Effective August 1, 2022, Greystone and GRE, a limited liability company owned by Mr. Rosene, entered into a non-cancellable ten-year lease agreement with a five-year extension for which Greystone recorded a right-of-use asset and liability based on the present value of the lease payments in the amount of \$5,516,006, using a term of one hundred eighty (180) months and a discount rate of 6.00%.

## **Off-Balance Sheet Arrangements**

Greystone does not have any off-balance sheet arrangements.

## **Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

Not applicable.

## **Item 8. Financial Statements and Supplementary Data.**

The consolidated financial statements of Greystone are set forth on pages F-1 through F-20 inclusive, found at the end of this report.

## **Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.**

None.

## **Item 9A. Controls and Procedures.**

### **Evaluation of Disclosure Controls and Procedures**

Greystone's CEO and CFO have concluded that the design and operation of Greystone's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) are effective as of May 31, 2023. This conclusion is based on an evaluation conducted under the supervision, and with the participation, of Greystone's CEO and CFO along with Greystone's management as of May 31, 2023. Disclosure controls and procedures are those controls and procedures designed to ensure that information required to be disclosed in reports that Greystone files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to Greystone's management, including Greystone's CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

### **Management's Report on Internal Control Over Financial Reporting**

Greystone's management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of Greystone's management, including Greystone's CEO and CFO, as of May 31, 2023, Greystone evaluated the effectiveness of Greystone's internal control over financial reporting based on the framework in the *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this evaluation, our management has concluded that our internal control over financial reporting as of May 31, 2023 is effective. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

**Changes in Internal Control over Financial Reporting**

None.

**Item 9B. Other Information.**

None.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.**

None.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance.**

**Directors, Executive Officers, Promoters and Control Persons**

The following lists the directors and executive officers of Greystone. Directors of Greystone are elected at annual meetings of shareholders unless appointed by the Board of Directors to fill a vacancy upon the resignation or removal of a member or an increase in the number of members of the Board of Directors. Executive officers serve at the pleasure of the Board of Directors.

<b>Name</b>	<b>Position</b>	<b>Term as Director Expires</b>
Warren F. Kruger	President, Chief Executive Officer and Chairman of the Board	2024
Larry J. LeBarre	Director	2024
Robert B. Rosene, Jr.	Director	2024
Drew T. Lockard	Director	2024
William W. Rahhal	Chief Financial Officer	N/A

**Warren F. Kruger, President, Chief Executive Officer and Director**

Mr. Warren F. Kruger, Manager/CEO of privately held Yorktown Management & Financial Services, L.L.C., is 66 years old. Yorktown is involved in investment banking, real estate, manufacturing and energy endeavors. Mr. Kruger is the non-executive chairman of the board of directors of Kruger Family Holdings, LLC, which owns TriEnda Holdings, LLC. and PendaForm, LLC. TriEnda Holdings manufactures plastic pallets utilizing a thermoform process. Because of the different qualities between the pallets manufactured by Greystone and TriEnda, there is no direct competition between the two companies. Mr. Kruger earned a Bachelor of Business Administration degree from the University of Oklahoma and an Executive M.B.A. from Southern Methodist University. Mr. Kruger has over forty years of experience in the financial services industry. In 1980, Mr. Kruger co-founded MCM Group, Ltd., which owned and controlled United Bank Club Association, Inc. until 1996 when the firm was sold to a subsidiary of Cendant Corp. (a former NYSE company). He also owned and operated Century Ice, a manufacturer and distributor of ice products from 1996 to 1997, when Packaged Ice, Inc., acquired Century Ice in an industry rollup.

Mr. Kruger became a director of Greystone on January 4, 2002, served as President and Chief Executive Officer from January 10, 2003 to August 15, 2005 and, most recently, has served as President and Chief Executive Officer from November 18, 2006 to the present.

Mr. Kruger’s business experience and knowledge of the day-to-day operations of Greystone make him well suited to serve on Greystone’s Board of Directors.

**Drew T. Lockard, Director**

Mr. Lockard, age 45, is a Managing Director at Stretto since February 2019. Stretto is a bankruptcy technology firm and is responsible for developing new business and managing client relationships. Mr. Lockard is an expert in corporate restructuring, turnaround management and energy consulting. Throughout his career, he has led practice-building efforts, guided professional advisors through high-impact situations and managed large corporate turnarounds. Prior to joining Stretto, Mr. Lockard was a Managing Director and head of the Dallas office for Opportune, an energy consulting firm, from August 2016 until January 2019. At Opportune, he was responsible for developing new business and expanding the Opportune brand in North Texas. Prior to joining Opportune, Mr. Lockard was a Director at AlixPartners, a global management consulting firm. During his 14-year career at AlixPartners, he was primarily focused on client delivery and building various practice groups.

Mr. Lockard holds a BBA in Management Information Systems from Southern Methodist University; an MBA from The University of Texas at Dallas; and MS in Information Technology from The University of Texas at Dallas.

Mr. Lockard became a director of Greystone effective May 12, 2022. Mr. Lockard's business experience makes him qualified to serve as a member of Greystone's Board of Directors.

**Larry J. LeBarre, Director**

Mr. LeBarre, age 67, was President and CEO of privately-held Native American Marketing ("Native American") until 2014 when the company was sold to Seminole Energy. Native American was founded by Mr. LeBarre in 2004 as an oil transportation, storage, and marketing business. Mr. LeBarre earned a Bachelor of Business Administration degree from the University of Oklahoma, became a Certified Public Accountant while working for Price Waterhouse & Co. (now PriceWaterhouseCoopers, LLP) and continued his career in the hazardous waste industry and later with Plains Resources. Mr. LeBarre is also actively involved in investment banking, real estate, and oil and gas investments.

Mr. LeBarre became a director of Greystone effective May 5, 2012. Mr. LeBarre's business experience makes him qualified to serve as a member of Greystone's Board of Directors.

**Robert B. Rosene, Jr., Director**

Mr. Rosene, age 69, is President of Patriot Auto Group, L.L.C., which owns seven auto dealerships in Oklahoma. In addition, Mr. Rosene oversees a variety of investments including oil and gas interests, commercial real estate and other investments. Mr. Rosene co-founded Summit Exploration, L.L.C., an oil and gas production company that owns oil and gas production interests in several states. Mr. Rosene has a B.A. with an emphasis in accounting from Oklahoma Baptist University.

Mr. Rosene became a director of Greystone effective June 14, 2004. Mr. Rosene's business experience and longstanding relationship with Greystone makes him qualified to serve as a member of Greystone's Board of Directors.

**William W. Rahhal, Chief Financial Officer**

Mr. Rahhal, age 82, served as managing partner of Rahhal Henderson Johnson, PLLC, Certified Public Accountants, in Ardmore, Oklahoma, from 1988 to 2010 and retired from the firm effective December 31, 2013. Mr. Rahhal previously served as Greystone's Chief Financial Officer from October 1, 2002 to October 1, 2004 and subsequently served Greystone as an accounting and financial consultant until his appointment as its Chief Financial Officer in January 2012. Mr. Rahhal earned his B.B.A. from the University of Oklahoma and is a Certified Public Accountant licensed in Oklahoma and Texas. Mr. Rahhal has also previously served as a Senior Manager with Price Waterhouse & Co. (now PriceWaterhouseCoopers, LLP) and as financial manager of a privately held oil and gas production company and contract drilling company.

**Involvement in Certain Legal Proceedings**

No director, executive officer, significant employee, or control person of the Company has been involved in any legal or regulatory proceeding listed in Item 401(f) of Regulation S-K in the past 10 years.

## **Board Composition**

Our business and affairs are managed under the direction of our Board of Directors. The number of directors is fixed by our Board of Directors, subject to our articles of incorporation and our bylaws. Currently, our Board of Directors consists of four directors: Messrs. Kruger, LeBarre, Rosene and Lockard.

Because of the small size of Greystone's Board of Directors, it has not established any committees. Rather, the entire Board acts as, and performs the same functions as, an audit committee, compensation committee and nominating committee.

## **Director Independence**

Three of our four Board members are independent. The Board has determined that each of Messrs. LeBarre, Lockard and Rosene is an independent director pursuant to the NASDAQ listing standards. Under the NASDAQ rules, no director qualifies as independent unless the Board affirmatively determines that the director has no material relationship with us (directly, or as a partner, stockholder or officer of an organization that has a relationship with us).

In assessing the independence of our directors, the Board considers all of the business relationships between the Company and our directors and their respective affiliated companies. This review is based primarily on the Company's review of its own records and information provided by each director. Where relationships exist, the Board determines whether the relationship between the Company and the directors or the directors' affiliated companies impairs the directors' independence. After consideration of the directors' relationships with the Company, the Board has affirmatively determined that Messrs. LeBarre, Lockard and Rosene did not have a material relationship with us and that each of such directors is independent.

## **Board Leadership Structure and Board's Role in Risk Oversight**

Our Board of Directors has a Chairman, Mr. Kruger. The Chairman has authority, among other things, to preside over Board meetings and set the agenda for Board meetings. Accordingly, the Chairman has substantial ability to shape the work of our Board of Directors. We believe that separation of the roles of Chairman and Chief Executive Officer is not necessary at this time to ensure appropriate oversight by the Board of Directors of our business and affairs. However, no single leadership model is right for all companies and at all times. The Board of Directors recognizes that depending on the circumstances, other leadership models, such as the appointment of a lead independent director, might be appropriate. Accordingly, the Board of Directors may periodically review its leadership structure. In addition, the Board of Directors may hold executive sessions in which only independent directors are present.

Our Board of Directors is generally responsible for the oversight of corporate risk in its review and deliberations relating to our activities. Our principal source of risk falls into two categories: financial and product commercialization. The Board oversees management of financial risks; our Board of Directors regularly reviews information regarding our cash position, liquidity and operations, as well as the risks associated with each. The Board of Directors regularly reviews plans, results and potential risks related to our product development and commercialization efforts. Our Board also oversees risk management as it relates to our compensation plans, policies and practices for all employees including executives and directors, particularly whether our compensation programs may create incentives for our employees to take excessive or inappropriate risks which could have a material adverse effect on us.

## **Code of Ethics**

Greystone has adopted a Code of Ethics applicable to Greystone's officers and directors, including Greystone's principal executive officer, principal financial officer, principal accounting officer or persons performing similar functions. Greystone undertakes to provide any person without charge, upon request, a copy of such Code of Ethics. Requests may be directed to Greystone Logistics, Inc., 1613 East 15th Street, Tulsa, Oklahoma 74120, or by calling (918) 583-7441. The Company intends to disclose any amendments to, or waivers from, a provision of its Code of Ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions and that relates to any element of the "code of ethics" definition in Item 406(b) of Regulation S-K by posting such information on the Company's website (<https://www.greystonelogistics.com/investor-relations.php>).

## **Procedures for Contacting the Board**

The Board has established a process for stockholders and other interested parties to send written communications to the Board, the independent directors, a particular committee or to individual directors, as applicable. Such communications should be sent by U.S. mail addressed to:

Greystone Logistics, Inc. Board of Directors  
c/o Greystone Logistics, Inc.  
Attention: Corporate Secretary  
1613 East 15th Street  
Tulsa, Oklahoma 74120

The Board has instructed the Corporate Secretary to promptly forward all communications so received to the full Board, the independent directors or the individual Board member(s) specifically addressed in the communication. Comments or questions regarding our accounting, internal controls or auditing matters, our compensation and benefit programs, or the nomination of directors and other corporate governance matters will remain with the full Board.

Depending on the subject matter, the Company's Corporate Secretary will:

- Forward the communication to the director or directors to whom it is addressed;
- Attempt to handle the inquiry directly, for example, where it is a request for information about our Company or if it is a stock-related matter; or
- Not forward the communication if it is primarily commercial in nature or if it relates to a topic that is not relevant to the Board or a particular committee or is otherwise improper.

## **Procedures for Recommending, Nominating and Evaluating Director Candidates**

### *Recommending Director Candidates for Nomination by the Board*

The Board will consider director candidates recommended by stockholders. A stockholder who wishes to recommend a director candidate for nomination by the Board at an annual meeting of stockholders or for vacancies of the Board that arise between annual meetings must provide the Board with sufficient written documentation to permit a determination by the Board whether such candidate meets the required and desired director selection criteria set forth in our bylaws. Such documentation and the name of the director candidate should be sent by U.S. mail to:

Greystone Logistics, Inc. Board of Directors  
c/o Greystone Logistics, Inc.  
Attention: Corporate Secretary  
1613 East 15th Street  
Tulsa, Oklahoma 74120

Since the filing of the Company's quarterly report on Form 10-Q for the quarter ended February 28, 2023, there have been no material changes to the procedures by which security holders may recommend nominees to the Board.

### *Nominating Director Candidates*

For director nominations to be properly brought before an annual meeting of stockholders by a stockholder, the stockholder must give timely notice in proper written form to the Secretary, consistent with the Company's bylaws.

### *Evaluating Director Candidates*

The Board has no formal guidelines or policy with regard to the consideration of any director candidates recommended by shareholders. The Board will consider several factors when evaluating the appropriate characteristics of candidates for service as a director. The Board initially evaluates a prospective nominee based on his or her resume and other background information that has been provided to the Board. At a minimum, director candidates must demonstrate high standards of ethics, integrity, independence, sound judgment, strength of character, and meaningful experience and skills in business or other appropriate endeavors. In addition to these minimum qualifications, the Board considers other factors it deems appropriate based on the current needs and desires of the Board, including specific business and professional experience that is relevant to the Board's needs, including, but not limited to, Board diversity. A member of the Board will contact, for further review, those candidates who the Board believes are qualified, who may fulfill a specific Board need and who would otherwise best make a contribution to the Board. The Board is responsible for conducting, with the assistance of the Corporate Secretary, and subject to applicable law, any inquiries into the background and qualifications of the candidate. Based on the information the Board learns during this process, it determines which nominee(s) to submit for election. The Board uses a comparable process for evaluating all director candidates, regardless of the source of the recommendation.

The Board is authorized to use, as it deems appropriate or necessary, an outside consultant to identify and screen potential director candidates. No outside consultants were used during the fiscal year ended May 31, 2023 to identify or screen potential director candidates. The Board will reassess the qualifications of a current director, including the director's attendance and contributions at Board meetings, prior to recommending a director for reelection.

### Delinquent Section 16(a) Reports

Section 16(a) of the Securities Exchange Act of 1934 requires Greystone's directors, officers and persons who beneficially own more than 10% of any class of Greystone's equity securities registered under Section 12 to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of such registered securities of Greystone. Officers, directors and greater than 10% beneficial owners are required by regulation to furnish to Greystone copies of all Section 16(a) reports they file.

Based solely on review of the copies of such reports furnished to Greystone and any written representations that no other reports were required during fiscal year 2023, to Greystone's knowledge, all Section 16(a) filing requirements applicable to its officers, directors and greater than 10% beneficial owners during fiscal year 2023 were complied with on a timely basis, except as follows: Mr. Lockard failed to file a Form 3 in connection with his appointment in May 2022.

### **Item 11. Executive Compensation.**

The following table sets forth the compensation paid to named executive officers during the fiscal years ended May 31, 2023 and 2022:

**Summary Compensation Table**

Name and Principal Position	Fiscal Year Ended May 31,	Salary	Bonus	Option Awards	Nonqualified Deferred		All Other Compensation	Total
					Compensation Earnings			
Warren F. Kruger, President and Chief Executive Officer	2023	\$410,000	\$155,000	\$ -	\$ -	\$ -	12,852	\$577,852
	2022	\$410,000	\$ 25,000	\$ -	\$ -	\$ -	11,565	\$446,565
William W. Rahhal, Chief Financial Officer	2023	\$200,000	\$ 75,000	\$ -	\$ -	\$ -	6,389	\$281,389
	2022	\$200,000	\$ 25,000	\$ -	\$ -	\$ -	4,705	\$229,705

### Outstanding Equity Awards at Fiscal Year End

None.

### Directors' Compensation

Greystone pays compensation to members of the Board of Directors in the amount of \$12,500 per meeting attended. The following table sets forth compensation paid, earned or awarded during the fiscal year ended May 31, 2023 to each of our directors, whose compensation is described above in the "2023 Summary Compensation Table."

Name	Fees Earned or Paid in		Stock Awards	All Other Compensation	Total
	Cash				
Larry J. LeBarre	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
Robert B. Rosene, Jr.	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
Drew T. Lockard	\$ 37,500	\$ -	\$ -	\$ -	\$ 37,500

Because the Board of Directors consists of four persons of which three are outside directors, the Board has not considered it necessary to create a compensation committee. All of Greystone's directors participate in determining compensation for officers with Mr. Kruger abstaining from any discussions concerning his compensation.

### Compensation Program as it Relates to Risk

We have reviewed our compensation policies and practices for both executives and non-executives as they relate to risk and have determined that at this time they are not reasonably likely to have a material adverse effect on us.

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

**Securities Authorized for Issuance under Equity Compensation Plans**

None.

**Security Ownership of Certain Beneficial Owners and Management**

As of May 31, 2023, Greystone had 28,279,701 shares of its common stock and 50,000 shares of its 2003 preferred stock outstanding. Each share of the 2003 preferred stock is convertible into approximately 66.67 shares of Greystone’s common stock.

The following table sets forth certain information regarding the shares of Greystone’s common stock beneficially owned as of May 31, 2023, by (i) each person known by Greystone to own beneficially 5% or more of Greystone’s outstanding common stock, (ii) each of Greystone’s directors and named officers, and (iii) all of Greystone’s directors and executive officers as a group:

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned <sup>(1)</sup>	Percent of Class <sup>(2)</sup>	Shares of Senior Preferred Stock Beneficially Owned <sup>(3)</sup>	Percent of Class	Voting Shares Beneficially Owned <sup>(4)</sup>	Percent of Total Voting Power
Warren F. Kruger	10,528,521 <sup>(5)</sup>	34.87%	25,000	50.00%	10,278,521	32.51%
William W. Rahhal	307,883 <sup>(6)</sup>	1.09%	-0-	-0-	307,883	*
Robert B. Rosene, Jr.	5,135,717 <sup>(7)</sup>	17.01%	25,000	50.00%	4,885,717	15.45%
Larry J. LeBarre	520,093 <sup>(8)</sup>	1.84%	-0-	-0-	520,093	1.65%
Drew T. Lockard	-0-	0.00%	-0-	-0-	-0-	*
All Directors & Officers as a Group (5 persons)	16,492,215 <sup>(9)</sup>	51.36%	50,000	100.00%	15,992,215	50.59%
<b>Other 5% Stockholders</b>						
Topline Capital Partners, LLC 544 Euclid Street Santa Monica, CA 90402	2,827,970 <sup>(10)</sup>	9.99%	-0-	-0-	2,833,396	8.95%

\* Under 1%.

- (1) The number of shares beneficially owned by each holder is calculated in accordance with the rules of the Commission, which provide that each holder shall be deemed to be a beneficial owner of a security if that holder has the right to acquire beneficial ownership of the security within 60 days through options, warrants or the conversion of another security; provided, however, if such holder acquires any such rights in connection with or as a participant in any transaction with the effect of changing or influencing control of the issuer, then immediately upon such acquisition, the holder will be deemed to be the beneficial owner of the securities. The number the shares of common stock beneficially owned by each holder includes common stock directly owned by such holder and the number of shares of common stock such holder has the right to acquire upon the conversion of the Senior Preferred Stock and/or upon the exercise of certain options or warrants.
- (2) The percentage ownership for each holder is calculated in accordance with the rules of the Commission, which provide that any shares a holder is deemed to beneficially own by virtue of having a right to acquire shares upon the conversion of warrants, options or other rights, or upon the conversion of preferred stock or other rights are considered outstanding solely for purposes of calculating such holder’s percentage ownership.
- (3) Each share of Senior Preferred Stock is convertible into approximately 66 2/3 shares of Greystone’s common stock. Therefore, Mr. Kruger’s 25,000 shares of Senior Preferred Stock are convertible into 1,666,666.66 shares of our common stock and Mr. Rosene’s 25,000 shares of Senior Preferred Stock are convertible into 1,666,666.66 shares of our common stock.
- (4) Total “Voting Shares” is defined as the number of shares of common stock outstanding, each share of which receives one vote, plus the 3,333,333.32 votes afforded to the holders of our Senior Preferred Stock, or 31,613,034.32 Voting Shares total. The number of Voting Shares reported by each reporting person above represents the number of shares of common stock beneficially owned by such reporting person plus the number of votes afforded to such reporting person as a holder of shares of Senior Preferred Stock, as applicable.



- (5) The total includes: (i) 8,592,855 shares of common stock beneficially owned directly by Mr. Kruger; (ii) 19,000 shares held of record by Yorktown; (iii) 250,000 shares of common stock that Mr. Kruger may acquire through the exercise of a warrant; and (iv) 1,666,666.67 shares that Mr. Kruger has the right to acquire upon conversion of the Senior Preferred Stock.
- (6) The total includes: (i) 255,000 shares of common stock beneficially owned directly by Mr. Rahhal; and (ii) 52,883 shares of common stock which Mr. Rahhal owns as a joint tenant.
- (7) The total includes: (i) 3,219,051 shares of common stock beneficially owned directly by Mr. Rosene; 250,000 shares of common stock that Mr. Rosene may acquire through the exercise of a warrant; and (ii) 1,666,666.67 shares that Mr. Rosene has the right to acquire upon conversion of the Senior Preferred Stock.
- (8) The total includes 520,093 shares of common stock beneficially owned directly by Mr. LeBarre.
- (9) The total includes: (i) 12,658,882 shares of common stock; (ii) 250,000 shares of common stock that Mr. Kruger has the right to acquire by exercising a warrant; (iii) 250,000 shares of common stock that Mr. Rosene has the right to acquire by exercising a warrant; (v) 1,666,666.67 shares of common stock that Mr. Kruger has the right to acquire upon conversion of the Senior Preferred Stock; and (vi) 1,666,666.67 shares of common stock that Mr. Rosene has the right to acquire upon conversion of the Senior Preferred Stock.
- (10) Based on information provided in the Schedule 13D/A filed with the SEC on February 13, 2023 by Topline Capital Management, LLC, Topline Capital Partners, LP and Collin McBirney (the "13D/A"). Per the 13D/A, the securities reported on this Schedule as beneficially owned by TCM (the "Securities") are held by and for the benefit of the Fund. Under the definition of "beneficial ownership" in Rule 13d-3 under the Act, it is also possible that the individual general partners, executive officers, and members of the foregoing entities might be deemed the "beneficial owners" of some or all of the Securities insofar as they may be deemed to share the power to direct the voting or disposition of such Securities. TCM, as the investment manager and general partner of the Fund, and Collin McBirney, as the member-manager of TCM, may, therefore, be deemed to beneficially own the Securities held by the Fund for the purposes of Rule 13d-3 under the Act insofar as they may be deemed to have the power to direct the voting or disposition of those Securities. This total includes 2,827,970 shares of common stock beneficially owned direct by Topline Capital Partners, LLC.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence.**

#### **Transactions with Related Persons**

##### **General**

For information regarding loans from Warren Kruger, see "Transactions with Warren Kruger and Related Entities" under the heading "Liquidity and Capital Resources" in Item 7 of this Form 10-K.

For information regarding an advance from Robert Rosene, see "Transactions with Robert B. Rosene, Jr." under the heading "Liquidity and Capital Resources" in Item 7 of this Form 10-K.

For information regarding loans from IBC and Messrs. Kruger's and Rosene's relationship thereto, see "Loan from International Bank of Commerce ("IBC") in Item 7 of this Form 10-K.

##### **Transactions with TriEnda Holdings, L.L.C.**

TriEnda Holdings, L.L.C. ("TriEnda") is a manufacturer of plastic pallets, protective packaging and dunnage utilizing thermoform processing. Warren F. Kruger, Greystone's Chairman of the Board, President and CEO, and a significant stockholder of the Company, is the non-executive chairman of the board of directors of Kruger Family Holdings, LLC ("KBH"), which owns a majority interest in TriEnda. Greystone may purchase pallets from TriEnda for resale or sell Greystone pallets to TriEnda. During fiscal year 2023 and 2022, Greystone purchases from TriEnda totaled \$431 and \$4,222, respectively and sales to TriEnda totaled \$50,611 and \$126,037, respectively.

## Transactions with Green Plastic Pallets

Green Plastic Pallets (“Green”) is an entity owned by James Kruger, a brother to Warren Kruger, Greystone’s Chairman of the Board, President and CEO, and a significant stockholder of the Company. Green purchased pallets from Greystone totaling \$657,706 and \$617,100 in fiscal years 2023 and 2022, respectively. As of May 31, 2023, Green owed \$56,550 to Greystone.

## Other Transactions

Greystone leases two buildings located in Bettendorf, Iowa, from which it conducts its manufacturing operations, from Greystone Real Estate, L.L.C., an entity which is owned by Robert B. Rosene, Jr., a member of Greystone’s board of directors. Rental payments for both buildings are \$44,500 per month.

## Director Independence

Greystone has determined that Messrs. LeBarre, Lockard and Rosene are “independent” within the meaning of Rule 5605(a)(2) of the NASDAQ listing standards. Because of the small size of Greystone’s Board of Directors, it has not established any committees. Rather, the entire Board acts as, and performs the same functions as, the audit committee, compensation committee and nominating committee. Mr. Kruger is not considered “independent” within the meaning of Rule 5605(a)(2) of the NASDAQ listing standards.

## Item 14. Principal Accountant Fees and Services.

The following is a summary of the fees billed to Greystone by HoganTaylor LLP, Greystone’s independent registered public accounting firm, for professional services rendered for the fiscal years ended May 31, 2023 and May 31, 2022:

Fee Category	<u>Fiscal 2023 Fees</u>	<u>Fiscal 2022 Fees</u>
Audit Fees(1)	\$ 186,200	\$ 180,750
Audit-Related Fees	0	0
Tax Fees	0	0
All Other Fees	0	0
Total Fees	<u>\$ 186,200</u>	<u>\$ 180,750</u>

(1) Audit Fees consist of aggregate fees billed for professional services rendered for the audit of Greystone’s annual consolidated financial statements and review of the interim consolidated financial statements included in quarterly reports or services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements during the fiscal years ended May 31, 2023 and May 31, 2022, respectively.

The entire Board of Directors of Greystone is responsible for the appointment, compensation and oversight of the work of the independent registered public accounting firm and approves in advance any services to be performed by the independent registered public accounting firm, whether audit-related or not. The entire Board of Directors reviews each proposed engagement to determine whether the provision of services is compatible with maintaining the independence of the independent registered public accounting firm. All of the fees shown above were pre-approved by the entire Board of Directors.

## PART IV

### Item 15. Exhibits, Financial Statement Schedules.

- (a) (1) Consolidated Financial Statements

The financial statements required under this item are included in Item 8 of Part II.

- (2) Schedules

None.

- (3) Exhibits

<b>Exhibit No.</b>	<b>Description</b>
2.1	<a href="#">Certificate of Ownership and Merger Merging PalWeb Corporation, a Delaware corporation, into PalWeb Oklahoma Corporation, an Oklahoma corporation, filed with the Delaware Secretary of State on May 2, 2002 (incorporated herein by reference to Exhibit 2.1 of Greystone's Form 8-K12G3 dated May 2, 2002, which was filed with the SEC on May 24, 2002).</a>
2.2	<a href="#">Certificate of Ownership and Merger Merging PalWeb Corporation, a Delaware corporation, into PalWeb Oklahoma Corporation, an Oklahoma corporation, filed with the Oklahoma Secretary of State on May 2, 2002 (incorporated herein by reference to Exhibit 2.2 of Greystone's Form 8-K12G3 dated May 2, 2002, which was filed with the SEC on May 24, 2002).</a>
3.1	<a href="#">Certificate of Incorporation of PalWeb Oklahoma Corporation filed with the Oklahoma Secretary of State on May 2, 2002 (incorporated herein by reference to Exhibit 3.1 of Greystone's Form 8-K12G3 dated May 2, 2002, which was filed with the SEC on May 24, 2002).</a>
3.2	<a href="#">Bylaws of PalWeb Oklahoma Corporation as adopted on May 2, 2002 (incorporated herein by reference to Exhibit 3.2 of Greystone's Form 8-K12G3 dated May 2, 2002, which was filed with the SEC on May 24, 2002).</a>
4.1	<a href="#">Certificate of Incorporation of PalWeb Oklahoma Corporation filed with the Oklahoma Secretary of State on May 2, 2002 (included in Exhibit 3.1).</a>
4.2	<a href="#">Certificate of the Designation, Preferences, Rights and Limitations of PalWeb Corporation's Series 2003 Cumulative Convertible Senior Preferred Stock (incorporated herein by reference to Exhibit 4.1 of Greystone's Form 8-K dated September 8, 2003, which was filed with the SEC on September 23, 2003).</a>
4.3	<a href="#">Certificate of Ownership and Merger, Merging Greystone Logistics, Inc., into PalWeb Corporation filed with the Oklahoma Secretary of State on March 18, 2005 (incorporated herein by reference to Exhibit 4.1 of Greystone's Form 8-K dated March 18, 2005, which was filed with the SEC on March 24, 2005).</a>
10.1	<a href="#">Amended and Restated Loan Agreement dated July 29, 2022 among Greystone Logistics, Inc., Greystone Manufacturing, L.L.C. and International Bank of Commerce (incorporated herein by reference to Exhibit 10.1 of Greystone's Form 8-K filed on August 4, 2022).</a>
10.2*	<a href="#">First Amendment to Amended and Restated Loan Agreement, dated May 5, 2023, among Greystone Logistics, Inc., Greystone Manufacturing, L.L.C. and International Bank of Commerce.</a>
10.3	<a href="#">Promissory Note (Revolving Loan) dated July 29, 2022, made by Greystone Logistics, Inc. and Greystone Manufacturing, L.L.C. in favor of International Bank of Commerce (incorporated herein by reference to Exhibit 10.2 of Greystone's Form 8-K filed on August 4, 2022).</a>
10.4	<a href="#">Promissory Note (Equipment Term Loan) dated July 29, 2022, made by Greystone Logistics, Inc. and Greystone Manufacturing, L.L.C. in favor of International Bank of Commerce (incorporated herein by reference to Exhibit 10.3 of Greystone's Form 8-K filed on August 4, 2022).</a>
10.5*	<a href="#">Promissory Note (Advancing Term Loan) dated May 5, 2023, made by Greystone Logistics, Inc. and Greystone Manufacturing, L.L.C. in favor of International Bank of Commerce.</a>
10.6*	<a href="#">Industrial Lease dated as of August 1, 2022, by and between Greystone Real Estate, LLC, and Greystone Manufacturing, L.L.C</a>
21.1*	<a href="#">Subsidiaries of Greystone Logistics, Inc.</a>
24.1	<a href="#">Power of Attorney (included on the signature page).</a>
31.1*	<a href="#">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.</a>
31.2*	<a href="#">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.</a>
32.1**	<a href="#">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.</a>
32.2**	<a href="#">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.</a>
101 INS*	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets at May 31, 2023 and 2022, (ii) the Consolidated Statements of Income for the years ended May 31, 2023 and 2022, (iii) the Consolidated Statements of Changes in Equity for the years ended May 31, 2023 and 2022, (iv) the Consolidated Statements of Cash Flows for the years ended May 31, 2023 and 2022, and (v) the Notes to Consolidated Financial Statements.
101 SCH*	Inline XBRL Taxonomy Extension Schema Document
101 CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase
101 DEF*	Inline XBRL Taxonomy Extension Definition Linkbase
101 LAB*	Inline XBRL Taxonomy Extension Labels Linkbase
101 PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document).

\* Filed herewith.

\*\* Furnished herewith.

#### Item 16. Form 10-K Summary.

None.

## SIGNATURES

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

### GREYSTONE LOGISTICS, INC. (Registrant)

Date: August 28, 2023

/s/ Warren F. Kruger

Warren F. Kruger  
President and Chief Executive Officer

## POWER OF ATTORNEY

Each person whose signature appears below hereby appoints Warren F. Kruger and William W. Rahhal, and each of them, as attorney-in-fact with full power of substitution to execute in the name and on behalf of the registrant and each such person, individually and in each capacity stated below, one or more amendments to the annual report on Form 10-K, which amendments may make such changes in the report as the attorney-in-fact acting deems appropriate and to file any such amendment to the annual report on Form 10-K with the Securities and Exchange Commission. Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: August 28, 2023

/s/ Warren F. Kruger

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

Date: August 28, 2023

/s/ Robert B. Rosene, Jr.

Robert B. Rosene, Jr., Director

Date: August 28, 2023

/s/ Larry J. LeBarre

Larry J. LeBarre, Director

Date: August 28, 2023

/s/ Drew T. Lockard

Drew T. Lockard, Director

Date: August 28, 2023

/s/ William W. Rahhal

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

**Index to Financial Statements**

**CONSOLIDATED FINANCIAL STATEMENTS OF GREYSTONE LOGISTICS, INC.**

<a href="#">Report of Independent Registered Public Accounting Firm (PCAOB ID 483)</a>	F-2
<a href="#">Consolidated Balance Sheets</a>	F-3
<a href="#">Consolidated Statements of Income</a>	F-4
<a href="#">Consolidated Statements of Changes in Equity</a>	F-5
<a href="#">Consolidated Statements of Cash Flows</a>	F-6
<a href="#">Notes to Consolidated Financial Statements</a>	F-7

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Greystone Logistics, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Greystone Logistics, Inc. and its subsidiaries (the Company) as of May 31, 2023 and 2022, and the related consolidated statements of income, changes in equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of May 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging subjective, or complex judgements. We determined that there are no critical audit matters.

/s/ HoganTaylor LLP

We have served as the Company's auditor since 2007.

Tulsa, Oklahoma  
August 28, 2023

**Greystone Logistics, Inc.**  
**Consolidated Balance Sheets**

	May 31,	
	2023	2022
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 695,951	\$ 3,143,257
Accounts receivable -		
Trade	4,857,504	6,001,049
Related parties	56,550	252,112
Other	386,877	—
Inventory	4,484,106	4,112,496
Prepaid expenses	528,962	304,240
<b>Total Current Assets</b>	<b>11,009,950</b>	<b>13,813,154</b>
<b>Property, Plant and Equipment, net</b>	<b>33,184,706</b>	<b>31,876,765</b>
<b>Right-of-use Operating Lease Assets</b>	<b>5,335,714</b>	<b>55,535</b>
<b>Total Assets</b>	<b>\$ 49,530,370</b>	<b>\$ 45,745,454</b>
<b>Liabilities and Equity</b>		
<b>Current Liabilities:</b>		
Current portion of long-term debt	\$ 2,249,570	\$ 4,160,403
Current portion of financing leases	31,981	1,630,895
Current portion of operating leases	240,346	33,881
Accounts payable and accrued expenses	3,337,410	7,820,837
Deferred revenue	23,007	5,329,047
Preferred dividends payable	134,414	85,377
<b>Total Current Liabilities</b>	<b>6,016,728</b>	<b>19,060,440</b>
<b>Long-Term Debt, net of current portion and debt issuance costs</b>	<b>14,919,687</b>	<b>9,306,037</b>
<b>Financing Leases, net of current portion</b>	<b>28,504</b>	<b>532,148</b>
<b>Operating Leases, net of current portion</b>	<b>5,119,688</b>	<b>21,654</b>
<b>Deferred Tax Liability</b>	<b>3,905,279</b>	<b>1,743,694</b>
<b>Equity:</b>		
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, 28,279,701 shares issued and outstanding	2,828	2,828
Additional paid-in capital	53,533,272	53,533,272
Accumulated deficit	(33,995,621)	(39,838,449)
<b>Total Greystone Stockholders' Equity</b>	<b>19,540,484</b>	<b>13,697,656</b>
Non-controlling interest	—	1,383,825
<b>Total Equity</b>	<b>19,540,484</b>	<b>15,081,481</b>
<b>Total Liabilities and Equity</b>	<b>\$ 49,530,370</b>	<b>\$ 45,745,454</b>

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

**Greystone Logistics, Inc.**  
**Consolidated Statements of Income**

	<b>For the Years Ended May 31,</b>	
	<b>2023</b>	<b>2022</b>
Sales	\$ 60,758,962	\$ 74,170,351
Cost of Sales	<u>51,427,409</u>	<u>66,395,792</u>
Gross Profit	9,331,553	7,774,559
Selling, General and Administrative Expenses	<u>5,100,170</u>	<u>5,200,387</u>
Operating Income	4,231,383	2,574,172
Other Income (Expense):		
Federal tax credits realized	4,911,863	241,814
Gain on the forgiveness of debt	—	3,068,497
Gain on deconsolidation of variable interest entity	569,997	—
Other income	325,599	39,235
Interest expense	<u>(1,189,034)</u>	<u>(841,701)</u>
Income before Income Taxes	8,849,808	5,082,017
Provision for Income Taxes	<u>2,461,700</u>	<u>535,417</u>
Net Income	6,388,108	4,546,600
Income Attributable to Non-controlling Interest	(49,599)	(279,663)
Preferred Dividends	<u>(495,681)</u>	<u>(328,459)</u>
Net Income Attributable to Common Stockholders	<u>\$ 5,842,828</u>	<u>\$ 3,938,478</u>
Income Per Share of Common Stock -		
Basic	<u>\$ 0.21</u>	<u>\$ 0.14</u>
Diluted	<u>\$ 0.20</u>	<u>\$ 0.13</u>
Weighted Average Shares of Common Stock Outstanding -		
Basic	<u>28,279,701</u>	<u>28,423,721</u>
Diluted	<u>32,105,515</u>	<u>32,252,432</u>

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



**Greystone Logistics, Inc.**  
**Consolidated Statements of Changes in Equity**  
**For the Years Ended May 31, 2023 and 2022**

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Greystone Stockholders' Equity	Non- controlling Interest	Total Equity
	Shares	Amount	Shares	Amount					
<b>Balances, May 31, 2021</b>	<u>50,000</u>	<u>\$ 5</u>	<u>28,361,201</u>	<u>\$ 2,836</u>	<u>\$53,790,764</u>	<u>\$(43,776,927)</u>	<u>\$ 10,016,678</u>	<u>\$ 1,236,362</u>	<u>\$11,253,040</u>
Stock options exercised	—	—	200,000	20	23,980	—	24,000	—	24,000
Common stock purchase	—	—	(281,500)	(28)	(281,472)	—	(281,500)	—	(281,500)
Cash distributions	—	—	—	—	—	—	—	(132,200)	(132,200)
Preferred dividends, \$6.57 per share	—	—	—	—	—	(328,459)	(328,459)	—	(328,459)
Net income	—	—	—	—	—	4,266,937	4,266,937	279,663	4,546,600
<b>Balances, May 31, 2022</b>	<u>50,000</u>	<u>5</u>	<u>28,279,701</u>	<u>2,828</u>	<u>53,533,272</u>	<u>\$(39,838,449)</u>	<u>13,697,656</u>	<u>1,383,825</u>	<u>15,081,481</u>
Cash contribution by non- controlling interest	—	—	—	—	—	—	—	1,669,000	1,669,000
Deconsolidation of variable interest entity	—	—	—	—	—	—	—	(3,102,424)	(3,102,424)
Preferred dividends, \$9.91 per share	—	—	—	—	—	(495,681)	(495,681)	—	(495,681)
Net income	—	—	—	—	—	6,338,509	6,338,509	49,599	6,388,108
<b>Balances, May 31, 2023</b>	<u>50,000</u>	<u>5</u>	<u>28,279,701</u>	<u>\$ 2,828</u>	<u>\$53,533,272</u>	<u>\$(33,995,621)</u>	<u>\$ 19,540,484</u>	<u>\$ —</u>	<u>\$19,540,484</u>

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

**Greystone Logistics, Inc.**  
**Consolidated Statements of Cash Flows**

	<b>For the Years Ended May 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 6,388,108	\$ 4,546,600
Adjustments to reconcile net income to net cash provided by operating activities		
-		
Depreciation and amortization	5,210,357	5,365,720
Change in deferred taxes	2,161,585	(636,948)
Gain on deconsolidation of variable interest entity	(569,997)	-
Forgiveness of debt	-	(3,068,497)
Gain on disposition of property, plant and equipment	(154,984)	(22,336)
Decrease (increase) in trade accounts receivable	1,021,400	(1,414,915)
Decrease (increase) in related party receivable	195,562	(98,562)
Increase in inventory	(371,610)	(670,522)
Increase in prepaid expenses	(224,722)	(251,925)
Increase (decrease) in accounts payable and accrued expenses	(4,478,041)	3,990,306
Decrease in deferred revenue	(5,306,040)	(1,101,560)
Net cash provided by operating activities	<u>3,871,618</u>	<u>6,637,361</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	(9,179,370)	(6,130,521)
Deconsolidation of variable interest entity	(2,806)	-
Proceeds from sale of equipment	55,000	50,000
Net cash used in investing activities	<u>(9,127,176)</u>	<u>(6,080,521)</u>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from long-term debt	13,184,816	837,000
Proceeds from revolving loan	2,525,000	3,700,000
Payments on revolving loan	(4,725,000)	-
Payments on long-term debt and financing leases	(5,982,108)	(5,263,858)
Payments on related party note payable and financing lease	(3,348,178)	(436,724)
Payments for debt issuance costs	(68,634)	(4,752)
Stock options exercised	-	24,000
Purchase of common stock	-	(281,500)
Dividends paid on preferred stock	(446,644)	(243,082)
Capital contribution by non-controlling interest	1,669,000	-
Distributions paid by non-controlling interest	-	(132,200)
Net cash provided by (used in) financing activities	<u>2,808,252</u>	<u>(1,801,116)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(2,447,306)</b>	<b>(1,244,276)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b><u>3,143,257</u></b>	<b><u>4,387,533</u></b>
<b>Cash and Cash Equivalents, end of year</b>	<b><u>\$ 695,951</u></b>	<b><u>\$ 3,143,257</u></b>

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

**Greystone Logistics, Inc.**  
**Notes to Consolidated Financial Statements**  
**May 31, 2023 and 2022**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization*

Greystone Logistics, Inc. (“Greystone”), through its two wholly owned subsidiaries, Greystone Manufacturing, LLC (“GSM”) and Plastic Pallet Production, Inc. (“PPP”), is engaged in the manufacturing and marketing of plastic pallets and pelletized recycled plastic resin.

*Principles of Consolidation*

The consolidated financial statements include the accounts of Greystone, its subsidiaries and entities required to be consolidated by the accounting guidance for variable interest entities (“VIE”). All material intercompany accounts and transactions have been eliminated.

Prior to July 29, 2022, Greystone was required to consolidate its VIE, Greystone Real Estate, L.L.C. (“GRE”) which owns two primary manufacturing facilities occupied by Greystone and is wholly owned by a member of Greystone’s board of directors. Effective July 29, 2022 GRE paid off its mortgage payable and, in conjunction with Greystone’s refinancing described in Note 5, GRE was removed from cross collateralization in the loan agreement between Greystone and International Bank of Commerce (“IBC”). Following these transactions, Greystone was no longer determined to be the primary beneficiary of GRE. Accordingly, GRE was deconsolidated from Greystone’s consolidated financial statements as of July 29, 2022, resulting in the recognition of a gain in the amount of \$569,997. Subsequent to the deconsolidation, Greystone entered into a new lease agreement with the related party and recorded right-of-use assets and liabilities for the new lease, see Note 6.

*Use of Estimates*

The preparation of Greystone’s consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires Greystone’s management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates.

*Cash and Cash Equivalents*

The Company considers all highly liquid temporary cash investments with an original maturity of three months or less to be cash equivalents. The Company maintains accounts at financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC). Cash balances at times are in excess of FDIC insurance limits.

*Accounts Receivable and Allowance for Uncollectible Accounts*

Greystone records its accounts receivable at their face value less an allowance for credit losses in an amount sufficient to absorb losses inherent in its accounts receivable portfolio based on projected expected credit losses. Greystone evaluates its accounts receivable and establishes an allowance for uncollectible accounts based on a combination of specific customer circumstances, credit conditions and history of collections.

*Inventory*

Inventory consists of finished pallets and raw materials which are stated at the lower of average cost or net realizable value.

Property, Plant and Equipment

Greystone's property, plant and equipment is stated at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives, as follows:

Plant buildings	39 years
Production machinery and equipment	5-12 years
Leasehold improvements	5-7 years
Furniture & fixtures	3-5 years

Leasehold improvements are amortized over the shorter of the useful lives or the term of the lease agreement. Upon sale, retirement or other disposal, the related costs and accumulated depreciation of items of property, plant or equipment are removed from the related accounts and any gain or loss is recognized. When events or changes in circumstances indicate that long-lived assets may be impaired, an evaluation is performed comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount. If the asset's carrying amount exceeds the cash flows, a write-down to fair value is required.

Leases

Greystone recognizes right-of-use assets and lease liabilities on the consolidated balance sheets and disclosure of key information about leasing arrangements.

Greystone has operating and finance leases for facilities, office space and plant equipment. Operating leases are included in right-of-use ("ROU") operating lease assets and finance lease ROU assets are included in property, plant and equipment, net in the consolidated balance sheets. The lease liabilities are included in operating leases and financing leases (current and non-current) in the consolidated balance sheets.

The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest that a lessee would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

For finance leases, lease expenses are the sum of interest on the lease obligations and amortization of the ROU assets. Finance lease ROU assets are amortized based on the lesser of the lease term and the useful life of the leased asset according to the capital asset accounting policy. If ownership of the ROU assets transfers to Greystone at the end of the lease term or if Greystone is reasonably certain to exercise a purchase option, amortization is calculated using the estimated useful life of the leased asset.

For operating leases, lease expense is generally recognized on a straight-line basis over the lease term and recorded to cost of sales in the consolidated statements of income.

In accordance with Accounting Standards Codification (ASC) 842, Greystone has made accounting policy elections (1) to not recognize right-of-use assets and lease liabilities for lease arrangements with a term of twelve months or less and (2) to combine lease and non-lease components. The non-lease components are not material and do not result in significant timing differences in the recognition of lease expense. Short-term leases include equipment, real estate and vehicles and are not significant in comparison to Greystone's overall lease portfolio. For these leases, the Company recognizes the leases as an operating expense on a straight-line basis over the term of the lease.

### Debt Issuance Costs

The Company capitalizes debt issuance costs as incurred and amortizes such costs on a straight-line basis across the term of the debt. Debt issuance costs are fully amortized when the debt is repaid or refinanced.

### Equity Based Compensation

The grant-date fair value of warrants, stock options and other equity-based compensation issued to employees is amortized on the straight-line basis over the vesting period of the award as compensation cost. The fair value of new option grants is estimated using the Black-Scholes option pricing model. The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option pricing models require the input of highly subjective assumptions including the expected stock price volatility, dividend yields and expected holding periods.

### Recognition of Revenues

Revenue is recognized at the point in time a good or service is transferred to a customer and the customer obtains control of that good or receives the service performed. Sales arrangements with customers are short-term in nature involving single performance obligations related to the delivery of goods and generally provide for transfer of control at the time of shipment. In limited circumstances, where acceptance of the goods is subject to approval by the customer, revenue is recognized upon approval by the customer unless, historically, there have been insignificant rejections of goods by the customer. Contract liabilities associated with sales arrangements primarily relate to deferred revenue on prepaid sales of goods. Greystone generally purchases damaged pallets from its customers which are reground and used in Greystone's pallet production process; however, damaged pallet purchases are historically insignificant.

### Income Taxes

Greystone accounts for income taxes under the liability method, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the consolidated financial statements and tax bases of assets and liabilities and tax loss carryforwards using enacted tax rates in effect for the year in which the differences are expected to reverse.

### Earnings Per Share

Basic earnings per share is computed by dividing the earnings available to common stockholders by the weighted average number of common shares outstanding for the year. In arriving at income available to common stockholders, income attributable to non-controlling interest and preferred stock dividends are deducted from net income for the year. Diluted earnings per share is calculated by dividing net income attributable to common stockholders plus preferred dividends, unless the assumed conversion of the preferred stock is anti-dilutive, 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.

### Reclassifications

Certain prior year amounts have been reclassified to conform with the current year's presentation. These reclassifications had no effect on previously reported net income or accumulated deficit.

**Note 2. EARNINGS PER SHARE**

Basic and diluted earnings per share of common stock for the years ended May 31, are as follows:

	<u>2023</u>	<u>2022</u>
<b>Basic earnings per share of common stock:</b>		
Numerator -		
Net income attributable to common stockholders	\$ 5,842,828	\$ 3,938,478
Denominator -		
Weighted-average common shares outstanding	28,279,701	28,423,721
Income per share of common stock - Basic	<u>\$ 0.21</u>	<u>\$ 0.14</u>
<b>Diluted earnings per share of common stock:</b>		
Numerator -		
Net income attributable to common stockholders	\$ 5,842,828	\$ 3,938,478
Add: Preferred stock dividends due to assumed conversion	495,681	328,459
Net income allocated to common stockholders	<u>\$ 6,338,509</u>	<u>\$ 4,266,937</u>
Denominator -		
Weighted-average common shares outstanding-basic	28,279,701	28,423,721
Incremental common shares from assumed conversion of warrants and preferred stock, as appropriate	3,825,814	3,828,711
Diluted weighted average common stock outstanding	<u>32,105,515</u>	<u>32,252,432</u>
Income per share of common stock - Diluted	<u>\$ 0.20</u>	<u>\$ 0.13</u>

**Note 3. INVENTORY**

Inventory consists of the following as of May 31:

	<u>2023</u>	<u>2022</u>
Raw materials	\$ 2,299,911	\$ 2,091,550
Finished pallets	2,184,195	2,020,946
Total Inventory	<u>\$ 4,484,106</u>	<u>\$ 4,112,496</u>

**Note 4. PROPERTY, PLANT AND EQUIPMENT**

A summary of the property, plant and equipment for Greystone is as follows, as of May 31:

	<u>2023</u>	<u>2022</u>
Production machinery and equipment	\$ 66,068,625	\$ 57,341,906
Plant buildings and land	2,364,089	7,020,543
Leasehold improvements	1,553,138	1,487,398
Furniture and fixtures	542,057	542,057
Total property, plant and equipment	70,527,909	66,391,904
Less: Accumulated depreciation	<u>(37,343,203)</u>	<u>(34,515,139)</u>
Property, Plant and Equipment, net	<u>\$ 33,184,706</u>	<u>\$ 31,876,765</u>

Property, plant and equipment includes production equipment with a carrying value of \$503,721 which had not been placed into service as of May 31, 2023. As discussed in Note 1, GRE was deconsolidated from Greystone's consolidated financial statements as of July 29, 2022. Accordingly, the carrying values of the buildings were eliminated and replaced by a right-of-use operating asset in the amount of the present value of the rentals under the lease agreement for the buildings.

Depreciation expense for the fiscal years ended May 31, 2023 and 2022, was \$5,195,994 and \$5,359,993, respectively.

**Note 5. LONG-TERM DEBT**

Long-term debt consists of the following as of May 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Term loan A dated July 29, 2022, payable to International Bank of Commerce, prime rate of interest plus 0.5% but not less than 4.50%, maturing July 29, 2027	\$ 7,065,283	\$ -
Term loan B dated July 29, 2022, payable to International Bank of Commerce, prime rate of interest plus 0.5% but not less than 4.50%, maturing July 29, 2027	7,269,453	-
Term loans payable to International Bank of Commerce, prime rate of interest plus 0.5% with interest floors between 4.0% and 5.25%. These loans were refinanced by the IBC Restated Loan Agreement dated July 29, 2022, and rolled into Term Loan A above	-	2,870,169
Revolving loan payable to International Bank of Commerce, prime rate of interest plus 0.5% but not less than 4.50%, due July 29, 2024	1,500,000	3,700,000
Term loan payable by GRE to International Bank of Commerce, interest rate of 5.5%, paid off July 27, 2022	-	1,826,361
Term loan payable to First Interstate Bank, interest rate of 3.7%, monthly principal and interest payments of \$27,593, due March 19, 2025, secured by certain equipment	585,536	888,642
Term loan payable to First Interstate Bank, interest rate of 3.5%, monthly principal and interest payments of \$5,997, due August 10, 2028, secured by land and buildings	759,639	803,941
Note payable to Robert Rosene, 7.5% interest, paid off August 3, 2022	-	3,295,704
Other	73,368	111,374
Face value of long-term debt	<u>17,253,279</u>	<u>13,496,191</u>
Less: Debt issuance costs, net of amortization	<u>(84,022)</u>	<u>(29,751)</u>
	17,169,257	13,466,440
Less: Current portion of long-term debt	<u>(2,249,570)</u>	<u>(4,160,403)</u>
Long-term debt	<u>\$ 14,919,687</u>	<u>\$ 9,306,037</u>

As of May 31, 2023, the prime rate of interest was 8.25%.

Debt Issuance Costs consists of the amounts paid to third parties in connection with the issuance and modification of debt instruments. These costs are shown on the consolidated balance sheets as a direct reduction to the related debt instrument. Amortization of these costs is included in interest expense. Greystone recorded amortization of debt issuance costs of \$17,723 and \$5,727 for the years ended May 31, 2023 and 2022, respectively.

Restated and Amended Loan Agreement between Greystone and IBC

On July 29, 2022, Greystone and GSM (collectively “Borrowers”) and IBC entered into an Amended and Restated Loan Agreement (“IBC Restated Loan Agreement”) that provided for consolidation of certain term loans and a renewed revolver loan.

The IBC Restated Loan Agreement provided for IBC to make to Greystone (i) a term loan in the amount of \$7,854,708 (“Term Loan A”) which consolidated all existing term loans with IBC in the aggregate amount of \$2,669,892, extended credit in the amount of \$3,271,987 to pay off a note payable to Robert B. Rosene, Jr. and extended additional credit in the amount of \$1,912,829 to fund the purchase of equipment subject to leases with iGPS Logistics, LLC, (ii) an advancing term loan facility (“Term Loan B”) whereby Greystone may obtain advances up to the aggregate amount of \$7,000,000, subsequently increased by \$1,000,000 pursuant to the First Amendment to the IBC Restated Loan Agreement dated May 5, 2023, and (iii) a renewal of the revolving loan with an increase of \$2,000,000 to an aggregate principal amount of \$6,000,000 (the “Revolving Loan”), subject to borrowing base limitations. As of May 31, 2023, Greystone’s available revolving loan borrowing capacity was approximately \$3,500,000.

The IBC term loans require equal monthly payments of principal and interest in such amounts sufficient to amortize the principal balance of the loans over the remaining lives. The monthly payments of principal and interest on the IBC term loans may vary due to changes in the prime rate of interest. Currently, the aggregate payments for the IBC term loans are approximately \$251,000 per month.

The IBC Restated Loan Agreement includes customary events of default, including events of default relating to non-payment of principal and other amounts owing under the IBC Restated 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 Restated Loan Agreement or the related loan documents. In addition, without prior written consent, Greystone shall not declare or pay any dividends, redemptions, distributions and withdrawals with respect to its equity interest other than distributions to holders of its preferred stock in the aggregate of \$500,000 in any fiscal year. Among other things, a default under the IBC Restated Loan Agreement would permit IBC to cease lending funds under the IBC Restated Loan Agreement and require immediate repayment of any outstanding notes with interest and any unpaid accrued fees.

The IBC Restated Loan Agreement is secured by a lien on substantially all assets of the Borrowers. Warren F. Kruger, President and CEO, and Robert B. Rosene, Jr. have provided limited guaranties of the Borrowers’ obligations under the IBC Restated Loan Agreement. Mr. Kruger’s guarantee is limited to 32.4% of all debt obligations to IBC. Mr. Rosene’s limited guaranty is the lesser of (i) \$3,500,000 less all amounts paid on the principal amount of the loans after the date of the agreement excluding payments on the revolver and (ii) the amount owed to IBC of the loans outstanding from time to time including accrued interest and fees.



Loan Agreement with First Interstate Bank

On August 23, 2021, Greystone and First Interstate Bank entered into a loan agreement (the “FIB Loan Agreement”) in connection with certain prior loans and a mortgage loan to refinance certain land and buildings located in Bettendorf, IA.

The FIB 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 as of the end of each fiscal year end and debt to tangible net worth ratio of 4:00 to 1:00 as of the end of each fiscal year end with a decrease of 0.50 in the ratio each year thereafter until reaching a minimum ratio of 3:00 to 1:00. In addition, the FIB Loan Agreement provides that Greystone shall not, without prior consent of the bank, incur or assume additional indebtedness or capital leases.

Maturities

Maturities of Greystone’s long-term debt for the five years subsequent to May 31, 2023, are \$2,249,570, \$3,901,140, \$2,275,921, \$2,471,322 and \$5,841,391 with \$513,935 due thereafter.

**Note 6. LEASES**

Financing Leases

Financing leases consist of the following as of May 31:

	<b>2023</b>	<b>2022</b>
Non-cancelable financing leases	\$ 60,485	\$ 2,163,043
Less: Current portion of financing leases	(31,981)	(1,630,895)
Non-cancelable financing leases, net of current portion	<u>\$ 28,504</u>	<u>\$ 532,148</u>

Greystone and an unrelated private company entered into three lease agreements for certain production equipment with a total cost of approximately \$6.9 million which were effective February 24, 2018, August 2, 2018 and December 21, 2018, respectively, with five-year terms and an effective interest rate of 7.40%. Effective October 17, 2022, Greystone and the private company entered into an agreement for Greystone to pay off the leases and acquire the equipment at the unamortized principal balance of the leases for a total of \$1,527,293.

Effective December 29, 2022, Greystone exercised its option under a lease agreement dated December 28, 2017, with Yorktown to purchase the production equipment therein for \$10,000.

The production equipment under the non-cancelable financing leases as of May 31, 2023 and 2022 was as follows:

	<b>2023</b>	<b>2022</b>
Production equipment under financing leases	\$ 176,565	\$ 8,497,798
Less: Accumulated amortization	(95,447)	(3,481,223)
Production equipment under financing leases, net	<u>\$ 81,118</u>	<u>\$ 5,016,575</u>

Amortization of the carrying amount of the assets was \$197,626 and \$946,535 for the years ended May 31, 2023 and 2022, respectively. The amortization was included in depreciation expense.

### **Operating Leases**

Greystone has three non-cancellable operating leases for (i) equipment with a fifty-two month term and a forty-eight month term and a discount rate of 5.40% and (ii) two buildings on a ten year lease with a five year renewal option and a discount rate of 6.00%. The leases are single-term with defined constant monthly rental rates.

Effective August 1, 2022, Greystone and GRE entered into a non-cancellable ten-year lease agreement with a five-year extension for which Greystone recorded a right-of-use asset and liability based on the present value of the lease payments in the amount of \$5,516,006, using a term of one hundred eighty (180) months and a discount rate of 6.00%.

The outstanding liability for right to use assets under operating leases as of May 31, 2023 and 2022 is as follows:

	<b>2023</b>	<b>2022</b>
Liability under operating leases	\$ 5,360,034	\$ 55,535
Less: Current portion	(240,346)	(33,881)
Long-term portion of liability under operating leases	<u>\$ 5,119,688</u>	<u>\$ 21,654</u>

### **Lease Summary Information**

For the years ended May 31, 2023 and 2022, a summary of lease activity follows:

	<b>2023</b>	<b>2022</b>
<b>Lease Expense</b>		
Financing lease expense -		
Amortization of right-of-use assets	\$ 197,626	\$ 946,535
Interest on lease liabilities	24,927	127,898
Operating lease expense	501,712	61,881
Short-term lease expense	1,532,005	1,493,169
Total	<u>\$ 2,256,270</u>	<u>\$ 2,629,483</u>
<b>Other Information</b>		
Cash paid for amounts included in the measurement of lease liabilities for finance leases -		
Operating cash flows	\$ 24,927	\$ 127,898
Financing cash flows	\$ 578,151	\$ 1,455,404
Cash paid for amounts included in the measurement of lease liabilities for operating leases -		
Operating cash flows	\$ 478,881	\$ 61,881
Right-of-use assets obtained in exchange for lease liabilities – financing lease	-	\$ 24,441
Weighted-average remaining lease term (in years) -		
Financing leases	1.7	1.3
Operating leases	14.1	1.6
Weighted-average discount rate -		
Financing leases	4.4%	7.3%
Operating leases	6.0%	5.4%

Future minimum lease payments under non-cancelable operating and financing leases as of May 31, 2023, are approximately:

	<b>Operating Leases</b>	<b>Financing Leases</b>
Year ending May 31, 2024	\$ 552,557	\$ 39,062
Year ending May 31, 2025	535,291	19,173
Year ending May 31, 2026	534,000	4,512
Year ending May 31, 2027	534,000	-
Year ending May 31, 2028	556,300	-
Thereafter	5,280,100	-
<b>Total lease payments</b>	<b>7,992,248</b>	<b>62,747</b>
Less: Imputed interest	(2,632,214)	(2,262)
<b>Present value of minimum lease payments</b>	<b>\$ 5,360,034</b>	<b>\$ 60,485</b>

**Note 7. REVENUE**

Greystone’s principal product is plastic pallets produced from recycled plastic resin. Sales are primarily to customers in the continental United States of America. International sales are made to customers in Canada, Mexico and other Central America countries which totaled 0.84% and 1.45% of total sales in fiscal years 2023 and 2022, respectively.

Greystone’s customers include stocking and non-stocking distributors and direct sales to end-user customers. Sales to the following categories of customers for the fiscal years 2023 and 2022, respectively, were as follows:

Category	2023	2022
End user customers	73%	76%
Distributors	27%	24%

Advances from a customer pursuant to a contract for the sale of plastics pallets is recognized as deferred revenue. Revenue related to these advances is recognized by Greystone as pallets are shipped to customers. Customer advances received totaled \$536,000 and \$13,560,500 in fiscal years 2023 and 2022, respectively. The unrecognized balance of deferred revenue as of May 31, 2023 and 2022, was \$23,007 and \$5,329,047, respectively. The Company recognized \$5,842,040 and \$14,662,060 as revenue related to advances during the years ended May 31, 2023 and 2022, respectively.

**Note 8. RELATED PARTY TRANSACTIONS**

*Transactions with Warren F. Kruger, Chairman*

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 for manufacturing pallets. Greystone compensates Yorktown for the use of equipment as discussed below.

*Rental fees.* GSM pays weekly rental fees of \$27,500 to Yorktown for grinding equipment and pelletizing equipment. Total rental fees of \$1,430,000 were paid in both fiscal years 2023 and 2022.

Yorktown provides administrative office space for Greystone in Tulsa, Oklahoma under a one-year lease at a rental rate of \$5,200 per month. Total rent expense was \$62,400 and \$54,000 for fiscal years 2023 and 2022, respectively.

*Transactions with Greystone Real Estate, L.L.C.*

GRE owns two primary manufacturing facilities occupied by Greystone and is wholly owned by a member of Greystone’s Board of Directors. During fiscal year 2023, Greystone made total rental payments of \$529,761 to GRE.

Effective August 1, 2022, Greystone and GRE entered into a non-cancellable ten-year lease agreement with a five-year extension for the use of these manufacturing facilities at the initial rate of \$44,500 per month, increasing 5.00% per month every fifth year.

*Transactions with TriEnda Holdings, L.L.C.*

TriEnda Holdings, L.L.C. (“TriEnda”) is a manufacturer of plastic pallets, protective packaging and dunnage utilizing thermoform processing of which Warren F. Kruger, Greystone’s President and CEO, is the non-executive chairman of the board of directors of Kruger Family Holdings, LLC (“KFH”), which owns a majority interest in TriEnda. Greystone may purchase pallets from TriEnda for resale or sell Greystone pallets to TriEnda. During fiscal year 2023 and 2022, Greystone purchases from TriEnda totaled \$431 and \$4,222, respectively, and sales to TriEnda totaled \$50,611 and \$126,037, respectively.

*Transactions with Green Plastic Pallets*

Green Plastic Pallets (“Green”) is an entity owned by James Kruger, a brother to Warren Kruger, Greystone’s President and CEO. Green purchased pallets from Greystone totaling \$657,706 and \$617,100 in fiscal years 2023 and 2022, respectively. As of May 31, 2023, Green owed \$56,550 to Greystone.

**Note 9. INCOME TAXES**

Deferred taxes as of May 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
<b>Deferred tax asset:</b>		
Net operating loss carryforward	\$ 2,084,595	\$ 1,876,710
Interest expense carryforward	172,126	-
Income recognized for tax in excess of financial	-	1,497,136
Other	31,797	30,480
Total deferred tax asset	<u>2,288,518</u>	<u>3,404,326</u>
<b>Deferred tax liability:</b>		
Depreciation and amortization recognized for tax in excess of financial	(5,149,436)	(3,546,886)
Valuation allowance	(1,044,361)	(1,601,134)
Net deferred tax liability	<u>\$ (3,905,279)</u>	<u>\$ (1,743,694)</u>

A deferred tax asset is recognized for tax-deductible temporary differences and operating losses using the applicable enacted tax rate. In assessing the realizability of deferred tax assets, management considers the likelihood of whether it is more likely than not the net deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which net operating losses and the reversal of timing differences may offset taxable income. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Future realization of deferred tax assets ultimately depends on the existence of sufficient taxable income of the appropriate character in carryforward periods under the tax law. Based on this evaluation, management has determined that Greystone will not be able to realize the full effect of the deferred tax assets and a valuation allowance of \$1,044,361 and \$1,601,134 has been recorded as of May 31, 2023 and 2022, respectively. The NOLs that are anticipated to be utilized during the available years total \$4,953,494.

The net change in deferred taxes for the year ended May 31, 2023 and 2022, is as follows:

	<b>2023</b>	<b>2022</b>
Income recognized for tax in excess of financial	\$ (1,497,136)	\$ 1,497,136
Net operating loss carryforward	207,885	(610,940)
Depreciation and amortization, tax reporting in excess of financial	(1,602,550)	(272,108)
Interest expense carryforward	172,126	-
Valuation allowance	556,773	-
Other	1,317	22,860
Net change	<u>\$ (2,161,585)</u>	<u>\$ 636,948</u>

The provision for income taxes as of May 31, 2023 and 2022 consists of the following:

	<b>2023</b>	<b>2022</b>
Current income tax -		
Federal	\$ -	\$ 503,612
State	300,115	668,753
Deferred income tax	2,161,585	(636,948)
Provision for income taxes	<u>\$ 2,461,700</u>	<u>\$ 535,417</u>

Greystone's provision for income taxes for the years ended May 31, 2023 and 2022 differs from the federal statutory rate as follows:

	<b>2023</b>	<b>2022</b>
Tax provision using statutory rates	21%	21%
State income taxes	8	9
Permanent differences	(1)	(17)
VIE income passed to members	-	(2)
Tax provision per consolidated financial statements	<u>28%</u>	<u>11%</u>

As of May 31, 2023, Greystone had net operating losses (NOLs) for Federal income tax purposes totaling \$9,926,641, as follows:

	<u>NOL</u> <u>Carryforward</u>	<u>Year</u> <u>Expiring</u>
Year ended May 31, 2004	1,632,774	2024
Year ended May 31, 2005	4,215,217	2025
Year ended May 31, 2023	4,078,650	No expiry

**Note 10. CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT (“CARES Act”)**

As a response to the COVID-19 outbreak, the U.S. government enacted the CARES Act which authorized emergency loans to businesses (i) by establishing and funding forgivable loans under the Paycheck Protection Program (PPP Loan) and (ii) by providing an Employee Retention Credit (“ERC”) which is a refundable tax credit against certain employment taxes equal to 50% of qualified wages paid, up to \$10,000 per employee annually for wages paid. Additional relief provisions were passed by the United States government, which extended and expanded the qualified wage caps on the ERC to 70% of qualified wages paid, up to \$10,000 per employee per quarter, through September 30, 2021. The PPP Loan provided loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business.

ERC

During the years ended May 31, 2023 and 2022, the Department of Treasury notified Greystone of ERC credits awarded under the CARES Act to Greystone and GSM for the quarters ended March 31, 2021, June 30, 2021 and September 30, 2021. Due to the subjectivity of the credit, the Company elected to account for the ERC as a gain analogizing to ASC 450-30, Gain Contingencies. The Company recognized credits of \$4,911,863 and \$241,814 as other income for the years ended May 31, 2023 and 2022, respectively.

PPP Loan

In June 2021, the Company received forgiveness of its \$3,034,000 PPP Loan plus accrued interest by the Small Business Administration. The Company recognized the forgiveness as other income for the year ended May 31, 2022.

**Note 11. STOCKHOLDERS’ EQUITY**

Convertible Preferred Stock

In September 2003, Greystone issued 50,000 shares of Series 2003, cumulative, convertible preferred stock, par value \$0.0001, for a total purchase price of \$5,000,000. Each share of the preferred stock has a stated value of \$100 and a dividend rate equal to the prime rate of interest plus 3.25% (11.50% as of May 31, 2023) and may be converted into common stock at the conversion rate of \$1.50 per share or an aggregate of 3,333,333 shares of common stock. The holders of the preferred stock have been granted certain voting rights so that such holder has the right to elect a majority of the Board of Directors of Greystone. Preferred stock dividends are limited under the IBC Restated Loan Agreement, see Note 5, and must be fully paid before a dividend on the common stock may be paid.

Warrants to Purchase Common Stock

On September 1, 2016, the Company issued a warrant 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 of Directors, as compensation for providing guarantees on Greystone’s debt with IBC. The warrants are vested and expire January 10, 2027.

**Note 12. RETIREMENT PLAN**

Greystone implemented a defined contribution and profit-sharing plan effective January 1, 2019. The defined contribution plan is an Internal Revenue Code of 1986, as amended, Section 401(k) plan. Greystone matches employee contributions up to 6% of employee contributions with a maximum employer contribution of 4% based on 100% of the first 3% and 50% of the next 2%. The employee is 100% vested for employer contributions to the 401(k) plan. Greystone’s contributions to the 401(k) plan totaled \$297,159 and 322,983 in the fiscal years ended May 31, 2023 and 2022, respectively.

The profit-sharing plan is an employer nonelective plan. Greystone's contributions are discretionary. Vesting is earned ratably over a five-year period. Greystone has not authorized or made any discretionary contributions since inception.

**Note 13. FINANCIAL INSTRUMENTS**

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

Cash, Accounts Receivable and Accounts Payable: The carrying amounts reported in the consolidated balance sheets for cash, accounts receivable and accounts payable approximate fair value due to the short-term maturity of these instruments.

Long-Term 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 for comparable loans. As of May 31, 2023 and 2022, the carrying amounts reported in the consolidated balance sheets approximate fair value for the variable and fixed rate loans.

**Note 14. SUPPLEMENTAL INFORMATION OF CASH FLOWS**

Supplemental information of cash flows for the years ended May 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Non-cash investing and financing activities:		
Deconsolidation of variable interest entity	\$ 3,102,424	\$ -
Right of use assets under operating lease	\$ 5,516,006	\$ -
Refinancing of certain term loans	\$ 2,669,892	\$ -
Acquisition of equipment through financing leases	\$ -	\$ 24,441
Capital expenditures in accounts payable	\$ 145,062	\$ 126,128
Preferred dividend accrual	\$ 134,414	\$ 85,377
Supplemental information:		
Interest paid	\$ 1,163,650	\$ 836,683
Income taxes paid	\$ 525,000	\$ 1,427,354

**Note 15. CONCENTRATIONS, RISKS AND UNCERTAINTIES**

For the fiscal years 2023 and 2022, Greystone had three customers that accounted for approximately 73% and 76% of total sales, respectively.

Greystone purchases damaged pallets from its customers at a price based on the value of the raw material content of the pallet. Most of these purchases are from one of Greystone's major customers which totaled approximately \$787,000 and \$603,000 in fiscal years 2023 and 2022, respectively.

Greystone is subject to litigation, claims and other commitments and contingencies arising in the ordinary course of business. Although the asserted value of these matters may be significant, the company currently does not expect that the ultimate resolution of any open matters will have a material adverse effect on its consolidated financial position or results of operations.

**Note 16. COMMITMENTS**

As of May 31, 2023, Greystone had outstanding commitments totaling \$405,562 for the acquisition of equipment.

**FIRST AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT**  
(and Various Loan Documents)

THIS FIRST AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT (and Various Loan Documents) (this "Amendment") is made as of May 5, 2023 (the "Effective Date") among **INTERNATIONAL BANK OF COMMERCE**, an Oklahoma state banking corporation, successor in interest to International Bank of Commerce, a Texas state banking association ("Lender"), **GREYSTONE LOGISTICS, INC.**, an Oklahoma corporation, **GREYSTONE MANUFACTURING, L.L.C.**, an Oklahoma limited liability company (together, the "Borrowers"), and the undersigned Guarantors, and ratifies and amends (a) the Amended and Restated Loan Agreement dated as of July 29, 2022, among Borrowers and Lender (the "Loan Agreement"), and (b) the other Loan Documents, as and to the extent described below.

Borrowers, Guarantors 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. The parties agree to the following amendments to the Loan Documents:

(a) Term Loan B.

(i) At Borrower's request, and subject to the provisions of this Amendment, Lender has agreed to increase the amount of Term Loan B to \$7,354,420.99, of which \$7,000,000.00 has been advanced, \$6,354,420.99 is outstanding as of the Effective Date, and \$1,000,000.00 in availability remains as of the Effective Date. Borrowers shall execute and deliver to Lender a replacement to Term Note B dated as of the Effective Date, in a form acceptable to Lender, in the amount of \$7,354,420.99 ("Replacement Term Note B"), subject to all the terms and provisions of this Agreement. All references to Term Note B in the Loan Agreement and other Loan Documents shall hereafter mean and refer to Replacement Term Note B, as amended, modified, replaced, restated, extended or renewed from time to time.

(ii) The obligations under Replacement Term Note B shall have no demand feature, and Lender may only exercise its remedies thereunder if an Event of Default occurs and is continuing. As modified hereby, Replacement Term Note B amends, restates, replaces (but is not a novation of), and is given in substitution and exchange for, and evidences obligations that were previously incurred under, Term Note B, but Replacement Term Note B does not extinguish the indebtedness evidenced by, or Borrower's indebtedness under, Term Note B.

(iii) In Section 2.02(b) and Section 6.04(b) of the Loan Agreement, the references to \$7,000,000.00 are hereby replaced with \$7,354,420.99.

(b) Definitions in Loan Agreement.

(i) The following new definitions are added to Section 1.2 of the Loan Agreement in appropriate alphabetical order:

"First Amendment" means the First Amendment to Amended and Restated Loan Agreement among Borrowers, Guarantors and Lender dated as of the First Amendment Date.

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“First Amendment Date” means May 5, 2023.

“Greystone Leased Real Property” means the property described in the Greystone Real Property Leases.

“Greystone Real Property Leases” means the Real Property Leases described in subparts (a) and (b) of the definition of Real Property Leases.

“Jasper Lease” means the Real Property Lease described in subpart (c) of the definition of Real Property Leases.

“Paradigm” means Paradigm Plastic Pallets, Inc., an Indiana corporation.

“Paradigm APA” means the Asset Purchase Agreement dated April 12, 2023, between Greystone Manufacturing and Paradigm.

“Paradigm Assets” means the “Purchased Assets” described in the Paradigm APA.

(ii) The following existing definitions in Section 1.1 of the Loan Agreement are amended and restated in their entirety as follows:

“Real Property Leases” means the following: (a) that certain Amended and Restated Lease dated March 1, 2011, between Greystone Real Estate and Greystone Manufacturing, related to 2600 Shoreline Drive, Bettendorf, IA, as it has been or may be amended; (b) that certain Amended and Restated Lease dated January 18, 2011, between Greystone Real Estate and Greystone Manufacturing, related to 2601 Shoreline Drive, Bettendorf, IA, as it has been or may be amended; and (c) that certain Commercial Lease Agreement dated April 15, 2023, between Greystone Manufacturing and Jasper Rubber Products Inc., an Indiana corporation, also known as Jasper Rubber Products, relating to property in Jasper, Indiana where the Paradigm Equipment is and will be located when it is purchased under the Paradigm APA, as it may be amended with Lender’s consent (the “Jasper Lease”).

“Term Note B” means the Promissory Note dated as of the First Amendment Date executed by the Borrowers in favor of the Lender in the amount of Term Loan B as modified in conjunction with the First Amendment, as amended, modified, replaced, restated, extended or renewed from time to time.

(c) Real Property Leases.

(i) In Section 6.01(g) of the Loan Agreement, the reference to “Leased Real Property” is hereby modified to mean the Greystone Leased Real Property.

(ii) In Section 8.07 of the Loan Agreement, the reference to “Leased Real Estate” is hereby modified to mean the Greystone Leased Real Property.

(iii) In Section 8.24 of the Loan Agreement, the references therein to “Real Property Leases” are hereby modified to mean the Greystone Real Property Leases.

(d) Replacement Security Agreement; Amendments to Security Agreements.

(i) Borrowers shall execute and deliver to Lender a replacement Security Agreement (the “Replacement Security Agreement”) in regard to the particular Security Agreement originally executed in conjunction with, and dated the same date as, the Loan Agreement that uses the Reference Number of Term Loan B in the heading on the first page (the “Original Security Agreement”). As modified by this Amendment, the Replacement Security Agreement amends and restates the Original Security Agreement in its entirety. Without limitation of the foregoing, the terms, provisions, representations, warranties, covenants, agreements and conditions contained in the Original Security Agreement shall hereafter be governed in all respects by the Replacement Security Agreement, as amended by this Amendment, and any amendments, restatements, supplements or other modifications thereto. All references to the “Security Agreements” in the Loan Agreement and other Loan Documents shall hereafter mean and refer to the Replacement Security Agreement and the other Security Agreements that were not amended or replaced in conjunction with this First Amendment, as they may be amended from time to time.

(ii) In Sections II.1.a. and II.2. of all the Security Agreements except the Replacement Security Agreement, all inventory of the Debtor named therein is and shall be included along with the other Collateral described therein.

(iii) In Section II.1.g. of all the Security Agreements, the following addresses are inserted in each such Security Agreement: 1613 East 15th Street, Tulsa, OK; 2600; 2601 Shoreline Dr., Bettendorf, IA; 3900 Elm Street, Bettendorf, IA; and 1055 1st Ave W, Jasper, IN.

(iv) The “Indebtedness” described in each Security Agreement shall include all the Obligations.

3. 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, or (b) any event, condition, or transaction on the part of any Person.

4. Ratification of Loan Documents. The Loan Documents remain in full force and effect as amended by this Amendment. Each Borrower and each Guarantor (a) ratifies and confirms in all respects each Loan Document to which it is a party; (b) agrees that each Loan Document remains in full force and effect; and (c) confirms, ratifies and agrees that, as applicable, the terms “Obligations”, “Guaranteed Obligations”, “Secured Obligations”, “Indebtedness” and any other similar term as used in any of the Loan Documents (including the Loan Agreement, the Security Agreements, the Mortgage, and any Guaranty Agreement), each include all indebtedness and obligations of Borrower to Lender under the Loan Documents, including the Loan increased and extended by this Amendment.

5. 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 Effective 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) Replacement Term Note B;

(iii) Guaranty Agreements by each Guarantor in favor of Lender, and an Addendum to such Guaranty Agreements executed by each Guarantor;

(iv) Replacement Security Agreement;

(v) Landlord Lien Waiver and Collateral Access Agreement as to the Jasper Lease;

(vi) a certificate from an authorized representative of Borrower, certifying to (A) attached copies of the fully-executed Paradigm APA, the “Payoff Letter” described in the Paradigm APA, the “Bill of Sale” described in the Paradigm APA, and the fully-executed Jasper Lease; and (B) the transmission of funds as contemplated by such Payoff Letter;

(vii) 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 actions and resolutions of the Borrowers in connection with this Amendment; and

(viii) all other documents and instruments reasonably requested by Lender.

(b) UCC Search. A UCC search certificate by a company acceptable to Lender reflecting that (i) no liens or security interests have been filed as to either Borrower that are not allowed by the Loan Agreement and the other Loan Documents and (ii) the Paradigm Assets are subject to no liens or security interests other than those that will be resolved by payment of the amounts specified in the “Payoff Letter” described in the Paradigm APA.

(c) Fees and Expenses.

(i) Borrowers shall pay Lender a loan fee in the amount of \$5,000.

(ii) If required by Lender, Borrowers shall pay all fees and out-of-pocket expenses required under Section 7 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 Effective Date.

6. Representations and Warranties. Each Borrower and each Guarantor represents and warrants to the Lender that as of the date of this Amendment:

(a) 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 Effective 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;

(b) as of the Effective 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;

(c) 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;

(d) 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 or Guarantor of this Amendment or the other Loan Documents executed by it in connection with this Amendment, or for the validity or enforceability thereof; and

(e) this Amendment and each other Loan Document to which it is a party constitutes such Borrower's or Guarantor'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).

7. Fees and Expenses. In accordance with Article III 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 (a) 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 (b) 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.

8. 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.

9. Releases. Each Borrower and each Guarantor, 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 Effective 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 and each Guarantor 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.

10. Governing Law; Miscellaneous. This Amendment is governed by the Loan Agreement, including the rules of construction provided in Section 1.03 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 FIRST AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT is executed and delivered by the undersigned effective as of the Effective Date.

• **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*

*FIRST AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT*

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THIS FIRST AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT is executed and delivered by the undersigned effective as of the Effective Date.

• **GUARANTORS”**

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

By: /s/ Robert B. Rosene, Jr.  
Robert B. Rosene, Jr.

*SIGNATURE PAGE*  
*FIRST AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT*

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THIS FIRST AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT is executed and delivered by the undersigned effective as of the Effective Date.

**“LENDER”**

**INTERNATIONAL BANK OF COMMERCE,**  
an Oklahoma state banking corporation

By: /s/ Kenneth Skillman

Kenneth Skillman, President - Tulsa

*SIGNATURE PAGE*

*FIRST AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT*

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International Bank of Commerce

## PROMISSORY NOTE

<u>Principal</u>	<u>Loan Date</u>	<u>Maturity</u>	<u>Loan Number</u>	<u>Officer</u>	<u>Initial</u>
\$7,354,420.99	5/5/2023	7/29/2027	1605821438	Kenneth Skillman	

**Borrower(s):** Greystone Logistics, Inc.  
Greystone Manufacturing, L.L.C.

**Lender:** International Bank of Commerce

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned, jointly and severally, (hereinafter "Borrower", whether one or more) promise to pay to the order of International Bank of Commerce (hereinafter "Lender"), at 3817 NW Expressway, Suite 100, Oklahoma City, Oklahoma 73112, or such other address as Lender may specify from time to time, the sum of Seven Million Three Hundred Fifty Four Thousand Four Hundred Twenty Dollars and Ninety Nine Cents (\$7,354,420.99), in legal and lawful money of the United States of America, with interest as it accrues on the outstanding principal balance from date of advance of such principal until paid.

The interest rate shall be floating at 0.5% per annum above the New York Prime Rate (Prime Rate) (as described below) as it fluctuates from time to time; provided, however, that in no event shall the rate of interest to be paid on the unpaid principal of this Note be less than 7.75% per annum, nor more than the maximum legal rate allowed by applicable law. The starting interest rate on this Note shall be 8.75% per annum. The rate of interest due hereunder shall be recomputed as of the date of any change in the Prime Rate.

The NEW YORK PRIME RATE shall mean the annual lending rate of interest announced from time to time by the JP Morgan Chase & Co., New York, New York, as its prime rate. If the New York Prime Rate has been selected as the Prime Rate and if, thereafter, a prime rate is not announced by JP Morgan Chase & Co., New York, New York, then the International Bank of Commerce Prime Rate minus one percent (1%) shall be the Prime Rate.

The INTERNATIONAL BANK OF COMMERCE PRIME RATE shall mean the annual lending rate of interest announced from time to time by International Bank of Commerce, as its prime rate.

Use of the term Prime Rate is not to be construed as a warranty or representation 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.

At Lenders sole discretion, any interest rate increase will take the form of higher periodic payments, a greater balloon payment (if applicable), and/or an increase in the number of periodic payments. The periodic payment amount will not increase more than once per month, with no limitation on such increase. Any new periodic payment amount will be due and payable only after timely and proper notice of such new payment amount from Lender. This paragraph is inapplicable if the maturity of the outstanding indebtedness under this Note is accelerated and/or demanded in full.

#### MULTIPLE ADVANCE NON-REVOLVING

1. Note. This Note is a multiple advance non-revolving credit facility for the Borrower. Borrower acknowledges that the original principal amount of this Note as stated therein has been advanced to Borrower at the time of execution of the Note or may be advanced at various times to Borrower by Lender. As used herein, the term Loan Documents means, collectively, this Note and any other document or instrument executed in connection with this Note by Borrower, any guarantor of this Note, and any party pledging property as security for the repayment of this Note (Pledgor).

2. Principal and Interest. Borrower shall be obligated to repay only that portion of the principal amount which has actually been advanced and not repaid, and interest shall accrue as set forth in this Note on the unpaid outstanding principal balance from date of the advance of such principal until repaid. All advances are subject to the conditions set forth herein and in all other Loan Documents and agreements between the parties hereto.

3. Advances. The advances shall be made pursuant to and subject to the terms and conditions hereof and of the other Loan Documents and agreements between the parties, and if and only if (i) all conditions precedent to an advance have been fulfilled,

(ii) there has been no Event of Default which is continuing, and (iii) the aggregate amount of the outstanding unpaid principal on this Note, plus the amount of any prior advances of principal, whether or not repaid, plus the amount of any and all pending requests for an advance, plus the amount of any and all advances in process, plus the amount of any and all advances that have been authorized, plus all accrued and unpaid interest and accrued and unpaid late charges, and plus any amounts advanced by Lender on Borrower's behalf, does not exceed the original principal balance of the Note. Borrower, may at any time, and from time to time, pay the outstanding unpaid balance of the Note, or a portion thereof, and all accrued and unpaid interest due. The non-revolving feature of this Note expires on, and no additional advances of principal will be made after, Final Maturity.

4. Continuation of Lien. Lender and Borrower contemplate that by reason of payments of this Note, there may be times when no indebtedness is owing on the Note, but notwithstanding such occurrences, this Note, all liens securing this Note, and the other Loan Documents shall remain in full force and effect unless same be released in writing by Lender, at the request of Borrower or the Pledgor of the property subject to the lien or liens.; otherwise this Note and the other Loan Documents and all liens securing same shall remain in full force and effect to secure any and all advances, and any other indebtedness of Borrower, regardless of any additional security that may be taken as collateral for the repayment of any future indebtedness, and shall be unaffected by any renewals, extensions, rearrangements, modifications and/or partial releases hereunder.

The indebtedness evidenced by this Note was evaluated, analyzed and ultimately priced based upon (i) Borrower's representation that it would establish and maintain its primary deposit relationship with Lender, and/or (ii) the entire banking relationship between Borrower and Lender. Therefore, (i) if Borrower's primary deposit relationship is not established and maintained with Lender, and/or

(ii) if there is a material adverse change in the deposit relationship between Borrower and Lender, then Lender, in its sole and absolute discretion, may, after ninety (90) days written notice, increase the interest rate charged in connection with this credit facility by up to 2% above the interest rate as set forth above, as it may float from time to time.

To secure payment of this Note, and, to the extent allowed by law, all other indebtedness which may at any time be owing by the Borrower, or any of them, Borrower hereby grants to Lender a security interest and lien on the following collateral (collectively, the "Collateral"): Blanket All Assets UCC

Borrower agrees to take adequate care of the Collateral and to insure the Collateral with a company satisfactory to Lender, for such risks and/or hazards, and in such amounts as Lender directs. If Borrower fails to furnish Lender with proof of required insurance coverage, Lender shall have the authority to purchase insurance (including single interest insurance, which may provide protection only for Lender) and add the premium for such insurance, together with interest at the rate set forth above, to the balance of this Note.

Interest shall be calculated on a 360-day factor applied on a 365-day year or a 366-day year, in the event that the year is a leap year, on the unpaid principal to the date of each installment paid; provided, however, that in the event the interest rate reaches the maximum rate allowed by applicable law, said maximum legal rate shall be computed on a full calendar year 365/365 days basis or on a 366/366 days basis, in the event that the year is a leap year. The interest charged and herein contracted for will not exceed the maximum rate allowed by law.

To the extent allowed by law, any and all matured unpaid amounts will bear interest computed on a full calendar year 365/365 days basis, or on a 366/366 days basis in the event that the year is a leap year, at the maximum legal rate of interest allowed by applicable state law, unless federal law allows a higher interest rate, in which case Borrower agrees to pay the rate allowed by federal law. If applicable state or federal law does not set a maximum rate of interest for matured unpaid amounts, then Borrower agrees that the maximum rate for such amounts shall be eighteen percent (18%) per annum.

To the extent allowed by law, as the late payment charge under this Note, Lender may in its sole discretion (i) increase the interest on the principal portion of any payment amount that is not received by the payment due date to the maximum rate allowed by law, computed on a full calendar year basis from the payment due date until paid, or (ii) should any payment not be made within ten (10) days from the due date, require Borrower 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. No late charge will be assessed on any payment which is current and is a full payment of principal and/or interest then due regardless of whether late charge(s) are due for any prior payments. This paragraph is inapplicable if the outstanding indebtedness under the Note is accelerated and/or demanded in full.

Notwithstanding anything contained herein to the contrary, if the Loan is subject to the provisions of 24 Code of Federal Regulations Part 201 (Title 1 Property Improvement and Manufactured Home Loans), then the late charge provisions of this paragraph shall be applicable to the exclusion of any other late charge and/or default interest provisions in any instrument relating to any past due installment of principal and/or interest due under this Note. Borrower agrees to pay to Lender a late charge for installments of principal and interest which are in arrears for fifteen (15) calendar days or more. The late charge shall be in an amount equal to the lesser of: (a) five percent (5%) of each late installment of principal and interest, up to a maximum of \$10.00 per installment for any property improvement loan and \$15.00 per installment for any manufactured home loan, or (b) the maximum amount permitted by applicable federal or state law. The sum of such late charges plus the interest charged under this Note and other charges deemed interest by law shall be limited to the maximum nonusurious amount permitted by applicable federal or state law. This paragraph is inapplicable if the outstanding indebtedness under this Note is accelerated and/or demanded in full.

The outstanding and unpaid principal of this Note and all accrued and unpaid interest are payable immediately upon demand, or if no demand is made, then such sums are payable as follows:

<b>NUMBER OF PAYMENTS</b>	<b>FREQUENCY</b>	<b>AMOUNT OF PAYMENTS</b>	<b>WHEN PAYMENTS ARE DUE</b>
50	Monthly	\$127,954.34 Principal with Interest Included	Beginning May 29, 2023
1	Final	Principal balance plus accrued and unpaid interest	At Final Maturity

**FINAL MATURITY DATE:** July 29, 2027

Each payment shall be applied as of its scheduled due date and in the order of application as the Lender in its sole discretion may from time to time elect.

All outstanding unpaid principal, all accrued and unpaid interest, and all fees, accrued and unpaid late charges, and/or other charges incurred by, or for the benefit of, Borrower in connection with this Note which remain due and owing on the Final Maturity Date are due and payable on such date.

Lender may, at its discretion, adjust the amount of periodic payments described above to ensure that the remaining payments will fully amortize the principal of this Note by the Final Maturity Date, or, if the payment schedule provides for a Balloon Payment (as hereinafter defined), Lender may adjust the amounts of remaining periodic payments so that the Agreed Amortization Amount (as hereinafter defined) will not be reduced. As used herein, (i) the term "Balloon Payment" means a payment of principal (together with any accrued unpaid interest) required on the Final Maturity Date when the scheduled periodic payments do not fully amortize the principal hereof by the Final Maturity Date, and (ii) the term "Agreed Amortization Amount" means the amount of principal that will be repaid prior to the Final Maturity Date assuming all initially scheduled payments are made in a timely manner and the interest rate in effect on the date hereof does not change. Any new monthly payment will be paid from the first monthly payment date after the change date until the amount of the monthly payment changes again.

**THIS OBLIGATION HAS THE FOLLOWING DEMAND FEATURE:**

At any time, and from time to time, whether prior to and/or during said scheduled payment dates, Lender may, in its sole and absolute discretion, reschedule, rearrange and/or accelerate, in whole or in part, the outstanding and unpaid principal balance, and all accrued and unpaid interest and all accrued and unpaid late charges under this Note. Borrower agrees and promises to pay Lender immediately all accelerated unpaid principal and all accrued and unpaid interest on such principal, and all accrued and unpaid late charges. No

notice of intent to accelerate shall be required of Lender and Borrower expressly waives any right to notice of Lender's intent to accelerate. The foregoing right to make demand for immediate payment of this Note, in whole or in part, may be exercised by Lender for any reason whatsoever, whether or not Borrower is in default hereunder and in advance of the Final Maturity Date.

THIS OBLIGATION HAS A BALLOON PAYMENT PROVISION:

THIS LOAN IS PAYABLE IN FULL ON THE FINAL MATURITY DATE SET FORTH HEREIN IF NO PRIOR DEMAND HAS BEEN MADE. ON THE FINAL MATURITY DATE YOU MUST REPAY THE ENTIRE OUTSTANDING UNPAID PRINCIPAL BALANCE, ALL ACCRUED AND UNPAID INTEREST, AND ALL FEES, LATE CHARGES, AND/OR OTHER CHARGES INCURRED BY, OR ON BEHALF OF, BORROWER IN CONNECTION WITH THIS LOAN, WHICH REMAIN UNPAID. LENDER IS UNDER NO OBLIGATION TO REFINANCE THE LOAN, OR ANY PORTION THEREOF, AT THAT TIME. YOU WILL THEREFORE BE REQUIRED TO MAKE PAYMENT OUT OF OTHER ASSETS YOU MAY OWN, OR YOU WILL HAVE TO FIND A LENDER, WHICH MAY BE THIS LENDER, WHICH AGREES TO LEND YOU THE MONEY TO REFINANCE. IF YOU REFINANCE THIS LOAN AT MATURITY, YOU MAY HAVE TO PAY SOME OR ALL OF THE CLOSING COSTS NORMALLY ASSOCIATED WITH A NEW LOAN, EVEN IF YOU OBTAIN REFINANCING FROM THIS LENDER.

The occurrence of any of the following events shall constitute an event of default ("Event of Default") under this Note:

- (a)** Borrower fails to pay any of the indebtedness evidenced by this Note when the same shall become due and payable; or
- (b)** Borrower (i) fails to perform any of Borrower's other obligations under this Note or the other Loan Documents, or any other event of default or breach occurs under this Note or the other Loan Documents, or (ii) to the extent allowed by law, and except as to loans for homestead, homestead equity, home equity lines of credit, and/or household or other consumer goods, fails to perform any of Borrower's obligations under any other promissory note, security agreement, loan agreement or other agreement between Lender and Borrower or any other event of default or breach occurs thereunder; or
- (c)** any (i) statement, representation or warranty made by Borrower in this Note, the other Loan Documents, or in any other agreement between Lender and Borrower, or (ii) any information contained in any financial statement or other document delivered to Lender by or on behalf of Borrower contains any untrue statement of a material fact or omits to state a material fact necessary to make the statement, representation or warranty therein not misleading in light of the circumstances in which they were made; or
- (d)** Borrower: (i) dies or becomes physically or mentally incapacitated; or (ii) in the case of a Borrower who is not a natural person, dissolves, terminates or in any other way ceases to legally exist or has its entity powers or privileges suspended or revoked for any reason; or (iii) makes an assignment for the benefit of creditors, or enters into any composition, marshalling of assets or similar arrangement in respect of its creditors generally; or (iv) becomes insolvent or generally does not pay its debts as such debts become due; or (v) conceals, removes, or permits to be concealed or removed, any part of Borrower's property, with intent to hinder, delay or defraud its creditors or any of them, or makes or suffers a transfer of any of Borrower's property which may be fraudulent under any bankruptcy, fraudulent conveyance or similar law, or makes any transfer of Borrower's property to or for the benefit of a creditor at a time when other creditors similarly situated have not been paid; or
- (e)** a trustee, receiver, agent or custodian is appointed or authorized to take charge of any property of Borrower for the purpose of enforcing a lien against such property or for the purpose of administering such property for the benefit of its creditors; or
- (f)** an order (i) for relief as to Borrower is granted under Title 11 of the United States Code or any similar law, or (ii) declaring Borrower to be incompetent is entered by any court; or
- (g)** Borrower files any pleading seeking, or authorizes or consents to, any appointment or order described in subsections (e) or (f) of this paragraph above, whether by formal action or by the admission of the material allegations of a pleading or otherwise; or
- (h)** application is made for or there is an enforcement of any lien, levy, seizure, garnishment or attachment of any property of the Borrower for the purposes of collecting a lawful debt; or
- (i)** any action or proceeding seeking any appointment or order described in subsections (e) or (f) of this paragraph above is commenced without the authority or consent of Borrower, and is not dismissed within thirty (30) days after its commencement; or
- (j)** Borrower shall become involved (whether as plaintiff or defendant) in any material litigation (including, without limitation, matrimonial litigation) or arbitral or regulatory proceedings that, if determined adversely to Borrower, could materially and adversely affect Borrower's financial position, or could affect Borrower's ability to repay the indebtedness evidenced by this Note, or could adversely affect the Collateral or any portion thereof or Lender's security interest therein; or
- (k)** Borrower, in Lender's opinion, has suffered a material change in financial condition which, in Lender's opinion, impairs the ability of Borrower to repay the indebtedness evidenced by this Note or to properly perform Borrower's obligations under this Note or the other Loan Documents; or
- (l)** any of the events or conditions described in subsections (d) through (k) of this paragraph above happen to, by or with respect to any pledgor of the Collateral or to any guarantor or other Obligor of the Note; or
- (m)** Lender believes, as a result of any material change in condition whether or not described herein, that Lender will be adversely affected, that this Note is inadequately secured, or that the prospect of payment of any of the indebtedness evidenced by this Note or performance of any of Borrower's obligations under the Loan Documents is impaired, or
- (n)** to the extent allowed by law, and except as to loans for homestead, homestead equity, home equity lines of credit, and/or household or other consumer goods, as to each Borrower with regard to any other credit facility with any other lender, any monetary default and/or any non-monetary default occurs which results in acceleration of the indebtedness by any such other lender; and each Borrower agrees to notify Lender of any such default within fifteen (15) days after the occurrence of the default.

Upon the occurrence of an Event of Default, Lender may, at its option, without notice to Borrower or any other Obligor except as otherwise expressly agreed by Lender in writing, declare the following amounts (or any portion thereof) at once due and payable (and upon such declaration, the same shall be at once immediately due and payable and may be collected forthwith), whether or not there has been a prior demand for payment and regardless of the stipulated date of maturity: (i) the remaining unpaid principal balance of

this Note outstanding, (ii) the accrued and unpaid interest under this Note, (iii) the accrued and unpaid late charges under this Note, (iv) any Swap Related Loss Lender is entitled to collect as hereinafter provided, (v) all other sums advanced or otherwise payable under this Note or any other Loan Document and owed by Borrower to Lender and all interest thereon, and (vi) any other indebtedness of Obligor the repayment of which is secured by one or more of the Loan Documents.

Borrower and Lender intend that the loan evidenced by this Note (the "Loan") shall be in strict compliance with applicable usury laws. If at any time any interest contracted for, charged, or received under this Note or otherwise in connection with the Loan would be usurious under applicable law, then regardless of the provisions of this Note or the documents and instruments evidencing, securing or otherwise executed in connection with the Loan or any action or event (including, without limitation, prepayment of principal hereunder or acceleration of maturity by the Lender) which may occur with respect to this Note or the Loan, it is agreed that all sums determined to be usurious shall be immediately credited by the Lender as a payment of principal hereunder, or if this Note has already been paid, immediately refunded to the Borrower. All compensation which constitutes interest under applicable law in connection with the Loan shall be amortized, prorated, allocated and spread over the full period of time any indebtedness is owing by Borrower and/or of the term of the Loan, whichever is longer, to the greatest extent permissible without exceeding the applicable maximum rate allowed by applicable law in effect from time to time during such period.

IN THE EVENT ANY ITEM, ITEMS, TERMS OR PROVISIONS CONTAINED IN THIS INSTRUMENT ARE IN CONFLICT WITH THE APPLICABLE STATE OR FEDERAL LAW, THIS INSTRUMENT SHALL BE AFFECTED ONLY AS TO ITS APPLICATION TO SUCH ITEM, ITEMS, TERMS OR PROVISIONS, AND SHALL IN ALL OTHER RESPECTS REMAIN IN FULL FORCE AND EFFECT. IT IS UNDERSTOOD AND AGREED THAT IN NO EVENT AND UPON NO CONTINGENCY SHALL THE BORROWER OR ANY PARTY LIABLE HEREON, OR HEREFOR BE REQUIRED TO PAY INTEREST IN EXCESS OF THE RATE ALLOWED BY THE APPLICABLE STATE LAW OR FEDERAL LAW, IF SUCH FEDERAL LAW PERMITS A GREATER RATE OF INTEREST. THE INTENTION OF THE PARTIES IS TO CONFORM STRICTLY TO THE APPLICABLE USURY LAWS AS NOW OR HEREINAFTER CONSTRUED BY THE COURTS HAVING JURISDICTION.

THE BORROWER, ENDORSERS, SURETIES, GUARANTORS AND ALL PERSONS TO BECOME LIABLE ON THIS NOTE (THE "OBLIGORS") HEREBY, JOINTLY AND SEVERALLY, WAIVE EXPRESSLY ALL NOTICES OF OVERDUE INSTALLMENT PAYMENTS AND DEMANDS FOR PAYMENT THEREOF, NOTICES OF INTENTION TO ACCELERATE MATURITY, NOTICES OF ACTUAL ACCELERATION OF MATURITY, PRESENTMENT, DEMAND FOR PAYMENT, NOTICES OF DISHONOR, DISHONOR, PROTEST, NOTICES OF PROTEST, AND DILIGENCE IN COLLECTION HEREOF. EACH OBLIGOR AGREES THAT THE LENDER MAY AT ANY TIME, AND FROM TIME TO TIME, UPON REQUEST OF OR BY AGREEMENT WITH ANY OF THEM, RENEW THIS NOTE AND/OR EXTEND THE DATE OF MATURITY HEREOF OR CHANGE AND/OR REARRANGE THE TIME OR METHOD OF PAYMENTS WITHOUT NOTICE TO ANY OF THE OTHER OBLIGORS, WHO SHALL REMAIN LIABLE FOR THE PAYMENT HEREOF. OBLIGORS WAIVE EXPRESSLY THE LATE FILING OF ANY SUIT OR PRECEDING OR CAUSE OF ACTION HEREOF, OR ANY DELAY IN THE HANDLING OF ANY COLLATERAL. OBLIGORS AGREE THAT LENDER'S ACCEPTANCE OF PARTIAL OR DELINQUENT PAYMENTS OR FAILURE OF LENDER TO EXERCISE ANY RIGHT OR REMEDY CONTAINED HEREIN OR IN ANY INSTRUMENT GIVEN AS SECURITY FOR THE PAYMENT OF THIS NOTE SHALL NOT BE A WAIVER OF ANY OBLIGATION OF THE OBLIGORS OR CONSTITUTE A WAIVER OF ANY PRIOR OR SUBSEQUENT DEFAULT. THE LENDER MAY REMEDY ANY DEFAULT WITHOUT WAIVING THE DEFAULT REMEDIED AND MAY WAIVE ANY DEFAULT WITHOUT WAIVING ANY OTHER PRIOR OR SUBSEQUENT DEFAULT.

To the extent allowed by law, as security for this Note and all other indebtedness which may at any time be owing by Borrower (and any endorsers and/or guarantors hereof) to Lender, Borrower (and any endorsers and/or guarantors hereof) grants to Lender (i) a security interest and contractual lien in and to all of the Borrower's (and any such endorser's and/or guarantor's ) collateral securing other indebtedness of Borrower (or of any such endorsers and/or guarantors) to Lender, and (ii) a security interest, contractual lien and contractual right of set-off in and to all of the Borrower's (and any such endorser's and/or guarantor's) money, credits, accounts and/or other property including repurchase agreements and other non-depository obligations, now in, or at any time hereafter coming within, the custody or control of Lender, or any member Bank or branch Bank of International BancShares Corporation, whether held in a general or special account or deposit, or for safekeeping or otherwise, excluding however, all IRA, KEOGH and trust accounts upon which the grant of security interest or right of set-off would be prohibited. Every such security interest, lien and right of set-off may be exercised without demand or notice to Borrower (or to any endorsers and/or guarantors hereof). No security interest, lien or right of set-off to enforce such security interest or lien shall be deemed to have been waived by any act or conduct on the part of Lender, or by any failure to exercise such right of set-off or to enforce such security interest or lien, or by any delay in so doing. Every right of set-off security interest shall continue in full force and effect until such right of set-off, security interest or lien is specifically waived or released by an instrument in writing executed by Lender. The foregoing provisions of this paragraph are in addition to and not in lieu of any rights of set-off allowed by law.

To the extent allowed by law, in connection with any transaction between Borrower and Lender at any time in the past, present or future, in the event Borrower, individually or jointly with others, has granted or grants Lender a lien on any real and/or personal property, Borrower agrees that the lien on such real and/or personal property, to the extent of Borrower's interest therein, shall also secure the indebtedness of Borrower to Lender evidenced by this Note and all renewals, extensions, rearrangements and modifications hereof.

If this Note, or any part hereof, is not paid according to its terms, is placed in the hands of an attorney for collection, or is collected through probate, bankruptcy or other judicial or non-judicial proceedings, whether matured by expiration of time or by the exercise of the option given to the Lender to mature it, Borrower and all parties now or hereafter liable hereon hereby agree to pay an additional amount equal to a reasonable and necessary attorney's fees and associated costs for collection. Said attorney's fees and costs of collection, once liquidated and paid by Lender, will bear interest at the rate of interest applied to the matured and past-due principal balance of this Note as such rate may change from time to time from the date advanced by Lender until paid.

Subject to the provisions of this Note pertaining to Swap Transactions as hereinafter set out, Borrower reserves the right to prepay, prior to maturity, all or any part of the principal of this Note without penalty, and interest shall immediately cease on any amount so prepaid. All prepayments shall be applied to the last maturing installments of principal, without interrupting the regular installment payments. Borrower will provide Lender written notice of any prepayment of principal together with such prepayment.

Any assumption, if permitted by Lender, by any other person or persons, partnership, corporation, organization or any other entity without an express written release signed by Lender, shall not release the liability of Borrower or any other Obligors for the payment of this Note.

In the event that the Collateral is sold, conveyed, or otherwise disposed of without the prior written consent of the Lender, the maturity of this Note may, at the option of the Lender, be accelerated and Lender may immediately demand payment of the then outstanding principal sum, together with all accrued and unpaid interest and late charges due thereon.

Borrower shall be obligated to repay only that portion of the principal amount which has actually been advanced and not repaid, and interest shall accrue on the unpaid outstanding principal balance from the date of the advance until paid.

Borrower agrees to provide to Lender, at least on an annual basis, a Financial Statement, a Profit And Loss/Net Income Statement, copies of U.S. Tax Returns, and any other information that may be reasonably requested by Lender.

The parties intend to conform strictly to the applicable federal, state, and local laws as now or hereafter construed by the courts having jurisdiction. All agreements between the parties hereto (or any other party liable with respect to any portion of the indebtedness under this Note or any instrument executed in connection herewith) are hereby limited by the provisions of this paragraph, which shall override and control all such agreements, whether now existing or thereafter arising and whether written or oral. If from a construction of any document related to any agreement between the parties hereto (or any other party liable with respect to any portion of the indebtedness under this Note or any instrument executed in connection herewith), any term(s) or provision(s) of the document is in conflict with, or in violation of, applicable laws, any such construction shall be subject to the provisions of this paragraph and such document shall be automatically reformed as to comply with applicable law, without the necessity of execution of any amendment or new document.

**Financing Statements:** At Lender's request Borrower will promptly sign all other documents, including financing statements and certificates of title, to perfect, protect, and continue Lender's security interest in the Collateral at the sole cost of Borrower. Borrower hereby authorizes Lender to file a Financing Statement, an Amended Financing Statement and a Continuation Financing Statement (collectively referred to as the "Financing Statement") describing the Collateral. Where Collateral is in the possession of a third party, Borrower will join with Lender in notifying the third party of Lender's security interest and obtaining a Control Agreement from the third party that it is holding the Collateral for the benefit of Lender.

In the event any legal action or proceeding, by arbitration or otherwise, is commenced in connection with the enforcement of, or declaration of rights under, this Note and/or any instrument or written agreement required or delivered under, in connection with, or pursuant to the terms of this Note (collectively, the "Loan Documents"), and/or any controversy or claim, whether sounding in contract, tort or statute, legal or equitable, involving in any way the financing or the transaction(s) evidenced by this Note, or any other proposed or actual loan or extension of credit, the prevailing party shall be entitled to recover reasonable and necessary attorney's fees and paralegal costs (including allocated costs for in-house legal services), costs, expenses, expert witness fees and costs, and other necessary disbursements made in connection with any such action or proceeding, in the amount determined by the fact-finder.

Lender, in its sole discretion and without obligation on Lender to do so, may advance and pay sums on behalf and for the benefit of Borrower for costs necessary for the protection and preservation of the Collateral and other costs that may be appropriate, in Lender's sole discretion, including but not limited to insurance premiums, ad valorem taxes, and attorney's fees. Any sums which may be so paid out by Lender and all sums paid for insurance premiums, as aforesaid, including the costs, expenses and attorney's fees paid in any suit affecting said property when necessary to protect Lender's lien therein shall bear interest from the dates of such payments at the interest rate applied to the matured and past-due principal balance of this Note and shall be paid by Borrower to Lender upon demand, at the same place at which this Note is payable, and shall be deemed a part of the debt evidenced hereby and recoverable as such in all aspects.

Borrower and Lender hereby expressly acknowledge and agree that in the event of a default under this Note, or under any document executed by Borrower in connection with, or to secure the payment of, this Note (1) Lender shall not be required to comply with Article 6132b-3.05(d) of the Texas Revised Partnership Act or Subsection 152.306 of the Texas Business Organizations Code, if applicable, and (2) Lender shall not be required to proceed against or exhaust the assets of Borrower before pursuing any remedy directly against one or more of the partners of Borrower or the property of such partners.

If Borrower is an entity formed under and/or governed by the Texas Business Organizations Code ("BOC") the following shall apply: (i) Notice to known claimants under BOC Section 11.052(a)(2) [or any similar statute of Borrower's domiciliary state if Borrower is not domiciled in the State of Texas] shall not be effective with respect to Lender unless it is delivered by certified mail, return receipt requested and addressed to Dennis E. Nixon, President, at International Bancshares Corporation, P.O. Drawer 1359, Laredo, Texas 78042-1359 within thirty (30) days following the occurrence of the event requiring the winding up of Borrower, (ii) to the extent allowed by applicable law, Borrower agrees that BOC Section 11.359 [or any similar statute of Borrower's domiciliary state if Borrower is not domiciled in the State of Texas] shall have no force or effect on the existence or validity of the indebtedness evidenced by the Loan Documents and Borrower hereby waives all rights under said statutory provision, and (iii) in the event any portion of the indebtedness evidenced by the Loan Documents shall be deemed to be extinguished pursuant to the provisions of BOC Section 11.359 [or any similar statute of Borrower's domiciliary state if Borrower is not domiciled in the State of Texas], such extinguishment shall have no effect on the existence, validity, or enforceability of the Loan Documents other than Lender's ability to obtain a judgment against Borrower for repayment of the extinguished portion of such indebtedness.

**Swap Transactions and Swap Related Loss:** The term "Swap Transaction", as used herein, means (i) any transaction effected pursuant to one or more agreements now existing or hereafter entered into between Borrower and Lender and/or any financial institution affiliated with International BancShares Corporation (a "Lender Affiliate") which is a rate swap, swap option, interest rate option or other financial instrument or interest (including one or more options with respect to any such transaction), (ii) any type of transaction that is similar to any transaction referred to in clause (i) above that is currently, or in the future becomes, recurrently entered into in the financial markets and which is a forward swap, future, option or other derivative on one or more rates, or any combination of the foregoing transactions, or (iii) any transaction that is similar to any transaction referred to in clause (i) or (ii) above except that it is between Lender and/or a Lender Affiliate and any party or entity other than Borrower and is entered into by Lender and/or such Lender Affiliate on account of a corresponding Swap Transaction that is described in clause (i) or (ii) above.

Notwithstanding anything to the contrary contained in this Note or any other Loan Document, during any time that any Swap Transaction is in effect, Borrower shall have no right whatsoever to make any prepayment of all or any part of the principal owing under this Note without Lender's prior written approval, which Lender may grant or withhold in Lender's sole and absolute discretion,

For purposes hereof, "prepayment" shall mean any instance wherein the principal under this Note is satisfied in full or in part in advance and/or in excess of scheduled installments in any manner prior to the Final Maturity Date, whether voluntarily or involuntarily. Prepayment shall include, but not be limited to: (i) payment upon or following acceleration of the maturity of this Note by Lender pursuant to any applicable provision of this Note or any of the other Loan Documents, (ii) any payment of principal made prior to the Final Maturity Date pursuant to any demand provisions of this Note, (iii) application of insurance or condemnation proceeds to discharge all or any portion of the outstanding principal of this Note, (iv) payment of principal to Lender by any holder of a subordinate or superior interest in the Collateral, or (v) any payment of principal after the Final Maturity Date is accelerated for any reason permitted hereunder or under any of the other Loan Documents, including, without limitation, any acceleration of the Final Maturity Date resulting from any sale or transfer of the Collateral pursuant to foreclosure, sale under power of sale, judicial order or trustee's



sale under the Loan Documents; any payment of principal by sale, transfer or offsetting credit in connection with or under any bankruptcy, insolvency, reorganization, assignment for the benefit of creditors, or receivership proceedings under any statute of the United States or any State thereof involving Borrower and/or the Collateral

In the event of any prepayment during any time that any Swap Transaction is in effect, whether or not approved by Lender, Borrower shall be obligated to pay to Lender upon demand, in addition to all other amounts due and payable to Lender under the Loan Documents at the time of such prepayment, an amount determined by Lender to be the loss, cost and expense incurred by Lender and/or a Lender Affiliate under, related to or arising from such Swap Transaction that is attributable to such prepayment (the "Swap Related Loss"). Lender's determination of the Swap Related Loss incurred by Lender or a Lender Affiliate shall be conclusive and binding upon Borrower absent manifest error.

**ARBITRATION.**

**BINDING ARBITRATION AGREEMENT  
PLEASE READ THIS CAREFULLY. IT AFFECTS YOUR RIGHTS.**

**BORROWER AND LENDER AGREE TO ARBITRATION AS FOLLOWS (hereinafter referred to as the "Arbitration Provisions"):**

**I. Special Provisions and Definitions applicable to both CONSUMER DISPUTES and BUSINESS DISPUTES:**

- (a) **Informal Resolution of Customer Concerns.** Most customer concerns can be resolved quickly and to the customer's satisfaction by contacting your account officer, branch manager or by calling the Customer Service Department in your 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 your account officer, branch manager or the customer service department is unable to resolve a complaint to your satisfaction or if the Lender has not been able to resolve a dispute it has with you after attempting to do so informally, you and the Lender agree to resolve those disputes through binding arbitration or small claims court instead of in courts of general jurisdiction.

- (b) **Sending Notice of Dispute.** If either you or the Lender intend to seek arbitration, then you or the Lender must first send to the other by certified mail, return receipt requested, a written Notice of Dispute. The Notice of Dispute to the 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](mailto:ibcchairman@ibc.com). The Notice of Dispute must (a) describe the nature and basis of the claim or dispute; and (b) explain specifically what relief is sought. You may download a copy of the Notice of Dispute at [www.ibc.com](http://www.ibc.com) or you may obtain a copy from your account officer or branch manager.
- (c) **If the Dispute is not Informally Resolved.** If you and the Lender do not reach an agreement to resolve the claim or dispute within thirty (30) days after the Notice of Dispute is received, you or the Lender may commence a binding arbitration proceeding. During the binding arbitration proceeding, any settlement offers made by you or the Lender shall not be disclosed to the Arbitrator.
- (d) **"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 Note, compliance with applicable laws and/or regulations, any and all services or products provided by the 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.
- (e) **"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 the Lender that is primarily for personal, family or household purposes. **"BUSINESS DISPUTE"** means any **DISPUTE** that is not a **CONSUMER DISPUTE**.
- (f) **"PARTIES" or "PARTY"**. As used in these Arbitration Provisions, the term **"PARTIES"** or **"PARTY"** means Borrower, Lender, and each and all persons and entities signing this Note 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 the Lender and shall include any other owner and holder of this Note. Throughout these Arbitration Provisions, the term **"you"** and **"your"** refer to Borrower, and the term **"Arbitrator"** refers to the individual arbitrator or panel of arbitrators, as the case may be, before which the **DISPUTE** is arbitrated.

- (g) **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).
- (h) **CLASS ACTION WAIVER.** The **PARTIES** agree that (i) 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 (ii) 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 BUSINESS DISPUTE ON AN INDIVIDUAL BASIS AND EACH WAIVES THE RIGHT TO PARTICIPATE IN A CLASS ACTION.**
- (i) **FEDERAL ARBITRATION ACT AND TEXAS LAW.** The **PARTIES** acknowledge that this Note evidences a transaction involving interstate commerce. The Federal Arbitration Act shall govern (i) the interpretation and enforcement of these Arbitration Provisions, and (ii) all arbitration proceedings that take place pursuant to these Arbitration Provisions. **THE PARTIES AGREE THAT, EXCEPT AS OTHERWISE EXPRESSLY AGREED TO BY THE PARTIES IN WRITING, OR UNLESS EXPRESSLY PROHIBITED BY LAW, TEXAS SUBSTANTIVE LAW (WITHOUT REGARD TO ANY CONFLICT OF LAWS PRINCIPLES) WILL APPLY IN ANY BINDING ARBITRATION PROCEEDING OR SMALL CLAIMS COURT ACTION REGARDLESS OF WHO INITIATES THE PROCEEDING, WHERE YOU RESIDE OR WHERE THE DISPUTE AROSE.**

## **II. Provisions applicable only to a CONSUMER DISPUTE:**

- (a) 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**.
- (b) Instead of proceeding in arbitration, any **PARTY** hereto may pursue its claim in your 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.**
- (c) For any claim for actual damages that does not exceed \$2,500, the Lender will pay all arbitration fees and costs provided you 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, the Lender also agrees to pay your reasonable attorney’s fees and reasonable expenses your attorney charges you in connection with the arbitration (even if the Arbitrator does not award those to you) plus an additional \$2,500 if you obtain a favorable arbitration award for your actual damages which is greater than any written settlement offer for your actual damages made by the Lender to you prior to the selection of the Arbitrator.
- (d) Under the AAA’s Supplemental Procedures for Consumer Disputes, if your claim for actual damages does not exceed \$10,000, you shall only be responsible for paying up to a maximum of \$125 in arbitration fees and costs. If your claim for actual damages exceeds \$10,000 but does not exceed \$75,000, you 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, the 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, the Lender agrees to pay all arbitration fees and costs you 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 you submit your claim shall apply. The AAA rules also permit you to request a waiver or deferral of the administrative fees and costs of arbitration if paying them would cause you financial hardship.
- (e) Although under some laws, the Lender may have a right to an award of attorney’s fees and expenses if it prevails in arbitration, the 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.
- (f) To request information on how to submit an arbitration claim, or to request a copy of the AAA rules or fee schedule, you may contact the AAA at 1-800-778-7879 (toll free) or at [www.adr.org](http://www.adr.org).

## **III. Provisions applicable only to a BUSINESS DISPUTE:**

- (a) 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 you extreme financial hardship you may

request that AAA defer or reduce the administrative fees or request the Lender to cover some of the arbitration fees and costs that would be your responsibility.

- (b) The **PARTIES** shall have the right to (i) invoke self-help remedies (such as setoff, notification of account debtors, seizure and/or foreclosure of collateral, and nonjudicial sale of personal property and real property collateral) before, during or after any arbitration, and/or (ii) 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. The **PARTIES** agree that the AAA Optional Rules for Emergency Measures of Protection shall apply in an arbitration proceeding where emergency interim relief is requested.
- (c) 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** (i) punitive, exemplary, special or indirect damages, (ii) statutory multiple damages, or (iii) penalties, statutory or otherwise.
- (d) 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.

#### **IV. General provisions applicable to both CONSUMER DISPUTES and BUSINESS DISPUTES:**

- (a) 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 (i) all arbitrability questions, and (ii) 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).
- (b) **These Arbitration Provisions shall survive any modification, renewal, extension, repayment (whether partial or full), or discharge (whether partial or full) of this Note, unless all of the PARTIES otherwise expressly agree in writing.**
- (c) 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.
- (d) 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.
- (e) Any Arbitrator selected shall be knowledgeable in the subject matter of the **DISPUTE** and be licensed to practice law.
- (f) 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.
- (g) 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.
- (h) 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.
- (i) 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.

- (j) 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.

- (k) Unless the **PARTIES** mutually agree to hold the binding arbitration proceeding elsewhere, venue of any arbitration proceeding under these Arbitration Provisions shall be in the county and state where Lender is located, which is Lender's address set out in the first paragraph on page 1 hereof.
- (l) 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.

**JURY WAIVER: IF A DISPUTE BETWEEN YOU AND LENDER PROCEEDS IN COURT RATHER THAN THROUGH MANDATORY BINDING ARBITRATION, THEN YOU AND LENDER BOTH WAIVE THE RIGHT TO A JURY TRIAL, AND SUCH DISPUTE WILL BE TRIED BEFORE A JUDGE ONLY.**

THE TERM LENDER INCLUDES ANY OTHER OWNER AND HOLDER OF THIS NOTE AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS. THIS NOTE IS GOVERNED BY OKLAHOMA LAW, EXCEPT TO THE EXTENT THE USURY LAWS OF THE STATE OF OKLAHOMA ARE PRE-EMPTED BY FEDERAL LAW, IN WHICH CASE SUCH FEDERAL LAW SHALL APPLY. VENUE OF ALL ACTIONS ON THIS NOTE, SHALL LIE IN OKLAHOMA COUNTY, OKLAHOMA, AND ALL OBLIGATIONS REQUIRED HEREIN ARE PERFORMABLE IN OKLAHOMA COUNTY, OKLAHOMA.

This Note has been accepted by Lender in the State where Lender is located as set forth in the first paragraph of page 1 hereof.

Please notify us if we report any inaccurate information about your account(s) to a consumer reporting agency. Your written notice describing the specific inaccuracy(ies) should be sent to us at the following address: International Bank of Commerce, 3817 NW Expressway, Suite 100, Oklahoma City, Oklahoma 73112, ATTN: William P. Schonacher.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

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

NO ORAL AGREEMENTS

**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.

**BORROWER(S):**

Greystone Logistics, Inc.,  
An Oklahoma Corporation

By: /s/ Warren F. Kruger  
Name: Warren F. Kruger  
Title: President

Address: 1613 East 15<sup>th</sup>  
Tulsa, OK 74120

Greystone Manufacturing, L.L.C.  
An Oklahoma Limited Liability Company

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

Address: 1613 East 15<sup>th</sup>  
Tulsa, OK 74120

**LEASE AGREEMENT**

THIS LEASE AGREEMENT (the “Lease”) made and entered into as of August 1, 2022 (the “Commencement Date”) by and between GREYSTONE REAL ESTATE, L.L.C., an Oklahoma limited liability company (“Landlord”), and GREYSTONE MANUFACTURING, L.L.C., an Oklahoma limited liability company (“Tenant”).

WITNESETH:

In consideration of the covenants, terms and conditions hereinafter set forth, the parties hereto, and each of them, do hereby agree as follows:

1. Leased Premises. Landlord does hereby lease unto Tenant and Tenant does hereby lease from Landlord, upon the terms and conditions hereinafter set forth, the two separate parcels of land situated in Scott County, Iowa, commonly known as (a) 2600 Shoreline Drive, Bettendorf, Iowa, as legally described on Exhibit “A” attached hereto and made a part hereof, and (b) 2601 Shoreline Drive, Bettendorf, Iowa, as legally described on Exhibit “A” attached hereto and made a part hereof, together with all buildings and other improvements to be made thereon as hereinafter provided thereon and all rights and appurtenances thereunto belonging (said real property, improvements, rights and appurtenances being hereinafter collectively referred to as the “Leased Premises”) subject however to all liens, encumbrances, restrictions, agreements and other matters of record.

2. Primary Term. This Lease shall be for a primary term of ten (10) years (the “Primary Term”) commencing on the August 1, 2022 (the “Commencement Date”), and terminating on July 31, 2032 unless sooner terminated as provided in this Lease Agreement. The Term shall also include the proper exercise of the Renewal Term as described in Section 3 below.

3. Option To Renew. For consideration given and covenants made, and provided Tenant is not in default at the time of exercise of this renewal option or any time thereafter until the Renewal Term is to commence, Tenant shall be entitled at its election, to renew and extend the term of this Lease for one (1) additional period of five (5) years (the “Renewal Term”), and together with the Primary Term, the “Term”) upon the same terms and conditions as set forth herein for the Primary Term except for the amount of rent to be paid shall be increased as provided in Section 4 of this Lease. Tenant may exercise the option granted hereunder by written notice to Landlord at least three hundred sixty-five days (365) days prior to the expiration of the Primary Term. If Tenant fails to exercise the option to renew this Lease as granted hereunder in the manner set forth above, (or does not immediately surrender the Leased Premises upon the expiration or earlier termination of the Term) but remains in possession of the Leased Premises after the expiration of the Primary Term or earlier termination, then the Base Rent payable by Tenant shall be increased equal to one hundred fifteen percent (15%) of the Rent Installment then in effect, the Additional Rent and other sums that would have been payable pursuant to the provisions of this Lease if the term had continued during said holdover period. Such rent shall be computed by Landlord and paid by Tenant on the first day of each calendar month thereafter until the Leased Premises have been vacated. Notwithstanding any other provision of this Lease, Landlord’s acceptance of such rent shall not in any manner adversely affect Landlord’s other rights and remedies, including Landlord’s right to evict Tenant and to recover all damages. Any such holdover shall be deemed to be a tenancy-at-sufferance and not a tenancy-at-will or tenancy from month-to-month. In no event shall any holdover be deemed a permitted extension or renewal of the Term, and nothing contained herein shall be construed to constitute Landlord’s consent to any holdover or to give Tenant any right with respect thereto.

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4. Rent. Tenant hereby covenants and agrees to pay Landlord, without offset, deduction, prior notice or demand, as the Base Rent for the Leased Premises during the Primary Term the sum of Five Million Four Hundred Seventy-Three Thousand Eight Hundred Dollars (\$5,473,800.00) (the "Base Rent"). Such Base Rent shall be payable in advance, on or before the first day of each and every calendar month during the Primary Term, as follows: (i) sixty (60) equal, successive monthly installments of Forty Four Thousand Five Hundred Dollars (\$44,500.00 - the "First Half Rent Installments"), and (ii) commencing on August 1, 2027 sixty (60) equal successive monthly installments of Forty Six Thousand Seven Hundred Thirty Dollars (\$46,730.00 -the "Second Half Rent Installments"), and together with the First Half Rent Installment and any monthly installment of Base Rent during the Renewal Term, the "Rent Installment"). Base Rent for the Renewal Term, if exercised, shall be the sum of Two Million Nine Hundred Forty Three Thousand Six Hundred Dollars (\$2,943,600.00) payable in sixty equal monthly installments of Forty Nine Thousand Sixty Dollars (\$49,060.00) commencing on August 2032. If the Primary Term or any Renewal Term commences on a day other than the first day of a calendar month or terminates on a day other than the last day of a calendar month, the Rent Installments shall be prorated based on the number of days in each such calendar month and as so prorated shall be paid in advance. Tenant agrees to timely pay each Rent Installment to Landlord at the address set forth in Section 26(e) below (or such other address or to such other payee as may be designated by Landlord in writing from time to time), each such Rent Installment to be paid without demand therefor and in lawful money of the United States of America. Base Rent, together with any Rent Installment, Additional Rent and any other amount owed by Tenant to Landlord under this Lease is referred to herein as "Rent". For purposes of this Lease, any additional rent or other sum owed by Tenant to Landlord under this Lease (other than Base Rent), and any cost, expense, damage or liability incurred by Landlord for which Tenant is liable shall be considered "Additional Rent".

If any amount of Base Rent or Additional Rent is not received within ten (10) days after the date such payment is due then in addition to paying the amount then due, Tenant shall pay to Landlord, without notice or demand, a late charge ("Late Charge") equal to five percent (5%) of such payment; provided, however, with respect to the first time in any twelve (12) month period any amount of Base Rent or Additional Rent is not received by Landlord within ten (10) days after the date such payment is due no Late Charge shall be payable by Tenant to Landlord.

5. Acceptance/ As-is Condition. Tenant acknowledges that it is completely familiar with the Leased Premises and legally permissible uses thereon. Accordingly, Tenant accepts possession of the Leased Premises in its "as is" condition as of the Commencement Date. Landlord makes no warranty or representation, express or implied, with respect to the Leased Premises, either as to its fitness for use, its design or condition, or any particular use or purpose to which the Leased Premises may be fit, or otherwise, or as to the quality of the material or workmanship therein, or the existence of any defects, latent or patent, it being agreed that all such risks are borne by Tenant.

6. Absolute Net Lease. Notwithstanding anything to the contrary contained herein, this Lease shall be an absolute net lease, so that this Lease shall yield all Base Rent payable hereunder as an absolutely net return to Landlord. Accordingly, with the sole exception of Landlord's income taxes Tenant shall pay all taxes, insurance, ground rents, easement charges, association fees, and other costs, expenses and obligations of every kind and nature whatsoever relating to the Leased Premises, including, without limitation, costs with respect to the ownership and operation thereof, which accrue prior to the expiration of the Term. Tenant's obligation to pay all amounts accrued during the term described in this Section 6 shall survive the expiration of the Term.

7. Payment of Impositions. Tenant shall pay all Impositions prior to the date they come due. As soon as practicable after the payment thereof Tenant shall deliver to Landlord written evidence of each such payment. To the extent that any such impositions are imposed upon Landlord, at Landlord's option, Tenant shall either pay such impositions directly to the taxing authority or reimburse Landlord for such Impositions. If the Term expires on a day other than the last day of a calendar year, then Tenant's liability for Impositions for such calendar year shall be apportioned by multiplying the amount of impositions for the full calendar year by a fraction, the numerator of which is the number of days during such calendar year falling within the Term, and the denominator of which is three hundred sixty-five (365).

a. The term "Impositions" shall mean, collectively, taxes, including without limitation, any present or future real estate taxes, all taxes or other impositions that are in the nature of or in substitution for real estate taxes, business district or arena taxes, business or occupation, single business, transaction, occupancy costs associated with Tenant's use of the facilities, as well as special user fees, license fees, permits, improvement bonds, levies, improvement district charges, governmental charges, rates, and assessments, general, special, ordinary or extraordinary, foreseen and unforeseen, that are imposed upon Landlord, rent, Tenant or the Leased Premises, fixtures, machinery, equipment or systems used in connection with the Leased Premises or the business being operated on the Leased Premises, including without limitation, taxes in the nature of a sales, use, gross receipts or other tax or levy on the rents payable by Tenant. Impositions shall not include any federal, state, or local tax imposed on Landlord that is based upon Landlord's net income.

b. Tenant shall pay before delinquency any business, rent, sales, franchise or other taxes or fees that are now or hereafter levied, assessed or imposed upon Tenant's use, operation, or occupancy of the Leased Premises, the conduct of Tenant's business at the Leased Premises, or Tenant's equipment, fixtures, furnishings, inventory or personal property. If any such tax or fee is enacted or altered so that such tax or fee is levied against Landlord or so that Landlord is responsible for collection or payment thereof, then Tenant shall pay to Landlord as Additional Rent the amount of such tax or fee.

8. Insurance. Tenant, at Tenant's sole cost and expense, shall keep the Leased Premises insured at all times against loss or damage by fire and such other hazards and risks as may be embraced from time to time by the standard extended coverage endorsement approved for use in the State of Iowa at the time of the procurement of any such policy or the renewal thereof in an amount not less than the one hundred percent (100%) of the replacement cost of the Leased Premises as determined on an annual basis, subject to approval by Landlord, and furnish to Landlord, upon request, a certificate of insurance or evidence thereof. As of the date of this Lease, the parties agree that the replacement costs of the Leased Premises is Seven Million Dollars (\$7,000,000.00)

a. Tenant further agrees to keep in force at Tenant's sole cost and expense, so long as Tenant occupies the Leased Premises or any portion thereof, Comprehensive General Commercial Public Liability Insurance with a company licensed to do business within the State of Iowa in minimum amounts of not less than (x) One Million and Noll 00's Dollars (\$1,000,000.00) combined single limit per occurrence with a Two Million (\$2,000,000.00) with a \$2,000,000.00 general aggregate.

b. Tenant further agrees to keep in full force and Business Interruption insurance in an amount equal to not less than one year's Rent payable hereunder.

c. All policies of insurance provided for under this Section 8 shall name Landlord, any mortgage lender as Landlord shall designate, and Tenant as named insureds to the extent of their respective interests. The fire and extended coverage insurance policy shall designate any mortgagee of the Leased Premises pursuant to a standard mortgage clause. All such policies of insurance shall provide that any loss shall be payable as therein provided notwithstanding any act or negligence of Landlord, Tenant or any other occupant of the Leased Premises which might otherwise result in forfeiture of said insurance and shall require the insurer under such policies to provide Landlord thirty (30) days prior written notice that such policy is due to expire or be cancelled. Policies of insurance provided by Tenant shall be primary over any other valid and collectible insurance and non-contributory and contain a deductible amount less than or equal to \$50,000. Landlord reserves the right from time to time to require Tenant to obtain higher minimum amounts or different types of insurance provided it is customary for owners of comparable properties in the vicinity of the Leased Premises to carry insurance of such higher amounts or of such different types. Concurrently with Tenant's execution of this Lease and at least annually thereafter, and at any time upon request of Landlord, (i) certificates (including ACORD form 27) evidencing that such insurance coverage required pursuant to this Section 8 is in full force and effect and (ii) a certificate from Tenant's insurance agent stating that all insurance required by this Lease is in full force and effect and complies with the terms, requirements and provisions of this Lease.

d. Tenant hereby releases and relieves Landlord and waives its right of recovery against Landlord, for direct or consequential loss or damage arising out of or related to any accident covered by the property insurance carried by Landlord, whether or not due to the negligence of Landlord, its agents, employees or contractors.

9. Repairs and Maintenance. All installations and improvements now or hereafter placed on the Leased Premises shall be at Tenant's sole cost and expense, provided, that any such installations or improvements which significantly alter the use of the Leased Premises must receive the prior written consent of Landlord. Tenant at its sole cost and expense, shall promptly make all repairs, perform all maintenance, and make all replacement in and to the Leased Premises (including without limitation, all interior and exterior, roofing, structural, non-structural and systems maintenance, repairs and replacements) that are necessary or desirable to keep the Leased Premises substantially in the same condition to its condition on the Commencement Date (reasonable wear and tear excepted) and in a clean, safe and tenantable condition, and otherwise in accordance with all applicable laws and the requirements of this Lease, including without limitation, repairs required as a result of any act or omission of any invitee, agent, employee, affiliate, subtenant, assignee, contractor, client, licensee, customer or visitor of Tenant. Tenant shall maintain all improvements, fixtures and personal property (including all equipment) located in, or serving, the Leased Premises in clean, safe and sanitary condition, shall take good care thereof and make all required repairs and replacements thereto. Tenant shall maintain all drives, sidewalks, parking areas and lawns on the Leased Premises in a clean condition, free of accumulations of dirt, trash, snow and ice. Tenant shall suffer no waste or injury to any part of the Leased Premises. When used in this Section 9, the term "repairs" shall include replacement or renewals when necessary and all such repairs made by Tenant shall be at least equal in quality and class to the original construction of the Leased Premises, normal wear and tear excluded. If Tenant has not performed its obligations under this Section 9 within thirty (30) days after written notice thereof from Landlord to Tenant, Landlord shall have the right, but not the obligation, to perform Tenant's obligations hereunder and to charge Tenant as Additional Rent for all costs and expenses incurred in connection therewith.

10. Use of Leased Premises. Tenant shall be entitled to use the Leased Premises primarily for the manufacture of plastic pallets and related products or any other purpose as may be permitted by law. Tenant expressly agrees not to use the Leased Premises for any purpose that would constitute a nuisance or in any manner violate any ordinance, law, regulation or statute of any governmental authority.

11. Alterations. Landlord is under no obligations to make any alterations, decorations, additions, improvements, demolitions or other changes in or to the Leased Premises. Tenant shall have the right, at Tenant's sole cost and expense, to make any reasonable alterations, decorations, improvements or additions to the Leased Premises as Tenant may desire, PROVIDED, HOWEVER, Tenant shall not undertake any material alteration, decoration, installation or addition to the Leased Premises without first obtaining (i) the written consent of Landlord, and (ii) when required by any mortgagee, the written consent of any mortgagee maintaining an interest in the Leased Premises. Any such alterations, decorations, improvements or additions to the Leased Premises shall be made in compliance with all local ordinances and public authorities having jurisdiction thereof and in a good, workmanlike and first class manner. Any and all alterations to the Leased Premises shall become the property of the Landlord upon termination of this Lease, except for detachable and movable equipment, furniture and trade fixtures owned by Tenant, all of which may be removed by Tenant. Landlord may, nonetheless, require Tenant to remove, at Tenant's cost and expense, any and all fixtures, equipment and other improvements installed on Leased Premises and thereafter to restore the Leased Premises. In the event that Landlord so elects, and Tenant fails to remove such improvements, Landlord may remove such improvements at Tenant's cost, and Tenant shall pay Landlord on demand as Additional Rent the cost of repairing any damage caused by such removal. If any lien (or a petition to establish such lien) is filed in connection with any alteration, Tenant shall discharge such lien (or petition) within thirty (30) days thereafter, at Tenant's sole cost and expense, by the payment thereof or by the filing of a bond acceptable to Landlord.

12. Utilities and Services. Tenant, at its own expense and risk, shall arrange with the appropriate utility companies and service providers for the provision to the Leased Premises of water, sewer, trash collection, electricity, gas, telephone, window washing, landscaping, snow removal, and all other utilities and services desired by Tenant. Tenant shall pay directly to the appropriate utility companies and service providers all charges for all utilities consumed in and services performed for the Leased Premises, as and when such charges become due and payable. To the extent the invoices for any such utilities and services are received by Landlord, at Landlord's option, Tenant shall either pay the charge for such utilities and services directly to the utility or service provider or reimburse Landlord for such charges.

a. Tenant shall not, at any time, permit any lien or claim to be filed against the Leased Premises or any part thereof on account of any expenses, deposits or charges for any of said utilities services and shall save Landlord harmless therefrom and from the payment thereof. Tenant shall also maintain, regular trash disposal and maintenance services in order to insure that the Leased Premises are kept at all times in a clean, orderly and neat condition, so as not to be offensive to surrounding occupants or the public. The Leased Premises shall never at any time be operated by Tenant so as to constitute a nuisance.

13. Liens. Tenant agrees that Tenant shall not suffer or permit any vendor's, mechanic's, laborer's or materialman's statutory or similar lien to be filed against the Leased Premises or related improvements or any interest of Landlord or Tenant therein by reason of work, labor, services or materials supplied or claimed to have been supplied to Tenant or anyone holding the Leased Premises or any part thereof through or under Tenant. If any such lien shall at any time be filed against the Leased Premises or related improvements, Tenant shall, within thirty (30) days after the filing thereof, cause the same to be released and discharged.

a. If Tenant shall fail to cause any such lien to be discharged within such period aforesaid, then, in addition to any other right or remedy hereunder Landlord may, but shall not be obligated to, discharge the same either by paying the amount claimed to be due or by procuring the discharge of such lien by deposit or by bonding proceedings or otherwise. Any amount so paid by Landlord and all costs and expenses incurred by Landlord in connection therewith, together with interest thereon at the maximum lawful contract rate per annum from the respective dates of Landlord's making of the payment or incurring of the cost and expense shall constitute Additional Rent payable by Tenant under this Lease and shall be paid by Tenant to Landlord on demand.

14. Assignment and Subletting. Tenant shall not voluntarily or by operation of law, directly or indirectly, assign, transfer, mortgage, or otherwise encumber, all or any part of Tenant's interests in this Lease or in the Leased Premises, without Landlord's prior written consent, which consent may be withheld or granted in Landlord's sole discretion. Any attempted assignment of this Lease by Tenant without such consent shall be void, and shall constitute a material default and breach of this Lease by Tenant. If at any time during the Lease Term Tenant desires to Assign or Sublease all or part of this Lease or the Leased Premises, then Tenant shall give not less than thirty days' prior written notice to Landlord containing the following information: the identity of the proposed assignee or subtenant and a description of its business; the terms of the proposed Assignment or Sublease; the commencement date of the proposed assignment or sublease; the area proposed to be assigned or sublet; and financial statements for the prior five (5) years of such proposed assignee or subtenant. Landlord shall keep all such information provided by Tenant to Landlord confidential and shall only use such information for the purpose of determining its approval of the requested assignment or sublease; provided, however, Landlord may disclose, distribute or discuss such information) to and with its employees, lenders and consultants, including its attorneys, accountants and bankers. Landlord shall have thirty (30) days after receipt by Landlord of a written request from Tenant to respond and the failure to respond shall be deemed denied by Landlord. Neither Landlord's consent to any assignment or sublease, nor Landlord's collection or acceptance of rent from any assignee or subtenant, shall be construed as (i) waiving or releasing Tenant from any of its liabilities or obligations under this Lease as a principal, or (ii) as relieving Tenant or any assignee or subtenant from the obligation of obtaining Landlord's prior written consent to any subsequent Assignment or Sublease. Landlord's collection of such rent shall not be construed as an acceptance of such assignee or subtenant as a tenant.

15. Signs. Tenant shall have the right to place, erect and/or install on the Leased Premises such signs as Landlord shall permit. Any signs permitted by Landlord shall not be in violation of any existing laws, ordinances or governmental regulations imposed at the time the same are placed, erected and/or installed.

16. Subordination\Non-Disturbance and Attornment. This Lease shall be subject and subordinate at all times to the lien of any mortgage or mortgages, to all funds intended to be secured thereby, and to any renewals, modifications, amendments, consolidations, replacements, extensions recasting or refinancings thereof. A Lender holding a Mortgage to which this Lease is subordinate shall have the right (subject to any required approval of the holder of any superior Mortgage) at any time to declare this Lease to be superior to the lien, provisions, operation and effect of such Mortgage and Tenant shall execute, acknowledge and deliver all documents required by such Lender in confirmation thereof. At the request of Tenant in each instance, Landlord shall use commercially reasonable efforts to obtain for Tenant a non-disturbance agreement (the "Non Disturbance Agreement") providing for the continuation of this Lease in the event of any such transfer of the Leased Premises (subject to the terms and conditions contained therein), on the standard form of each Lender. Within five (5) business days after Landlord's request, Tenant shall execute documents required by Lender confirming the foregoing subordination. Tenant appoints Landlord as Tenant's attorney-in-fact to execute any such document for Tenant.

a. Tenant waives the provisions of any statute or rule of law now or hereafter in effect which may give or purport to give Tenant any right to terminate or otherwise adversely affect this Lease and Tenant's obligations hereunder in the event any foreclosure proceeding is prosecuted or completed or in the event the Leased Premises or Landlord's interest therein is transferred by foreclosure, by deed in lieu of foreclosure or otherwise. If this Lease is not extinguished upon any such transfer or by the transferee following such transfer, then, within five days of a written request of such transferee, Tenant shall attorn to such transferee and shall recognize such transferee as the landlord under this Lease.

17. Assignment by Landlord. Landlord shall have the unqualified and unconditional right to transfer and assign, in whole or in part, all of Landlord's rights and obligations hereunder and in the Leased Premises. In such event and upon such transfer or assignment, no further liability or obligation shall thereafter accrue against Landlord hereunder and Tenant agrees to look solely to the successor in interest of Landlord for the future performance of Landlord's obligations hereunder.

18. Estoppel Certificate. Within five (5) business days' after Landlord's request therefor, Tenant shall execute and deliver to Landlord an accurate written statement (on a form to be provided by Landlord) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease as so modified, is in full force and effect) and the dates to which Rent and other charges are paid in advance, if any, and acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder or specifying such default if any are claimed and further certifying that there is no existing basis for cancellation or termination of this Lease by Landlord. It is expressly understood and agreed that any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the Leased Premises. Tenant's failure to deliver such statement with the five (5) business day period stated above shall be conclusive upon Tenant that this Lease is in full force and effect, without modification except as may be permitted by Landlord, and, that there are no uncured defaults in Landlord's performance hereunder, and that not more than one (1) month's rent has been paid in advance.

19. Default of Tenant. The following events unless cured within the applicable time specified in the paragraph describing such event, or, if no time is specified, within the time specified in Section 19(k), below shall be deemed to be events of default by Tenant under this Lease:

a. Tenant shall fail to pay any portion of the Rent required to be paid hereunder or shall fail to pay any other financial obligation imposed upon Tenant by the terms hereof as and when due; provided however, that with respect to the first (1<sup>st</sup>) such failure in any twelve (12) month period only, no default shall be deemed to have occurred unless such failure continues for a period of five (5) days after Landlord provides written notice thereof to Tenant.

b. Tenant shall fail to comply with any term, provision or covenant of this Lease other than as referred to in Section 19(a) above and shall not commence to correct such failure within thirty (30) days after written notice thereof to Tenant from Landlord specifying such failure, or having so commenced to correct such failure neglects and fails to prosecute such correction with due diligence to completion.

c. Tenant shall desert or vacate any part of the Leased Premises.

d. Tenant shall apply for, or consent in writing to, the appointment of a receiver, trustee or liquidator of Tenant or of all or substantially all of Tenant's or Guarantor's assets.

e. Tenant shall file a voluntary petition in bankruptcy or admit in writing Tenant's inability to pay Tenant's debts as they become due.

f. Tenant shall make a general assignment for the benefit of Tenant's creditors.

g. Tenant shall file a petition or an answer seeking reorganization or arrangement with creditors or take advantage of any insolvency law.

h. Tenant shall file an answer admitting the material allegations of a petition filed against Tenant in any bankruptcy, reorganization or insolvency proceedings.

i. If a levy under execution or attachment shall be made against Tenant and Tenant's property and such execution or attachment shall not be vacated or removed by court order, bonding or otherwise within a period of sixty (60) days after such levy.

j. If an order, judgment or decree shall be entered by any court or competent jurisdiction on the application of a creditor adjudicating Tenant a bankrupt or insolvent, or approving a petition seeking reorganization of Tenant or appointment of a receiver, trustee or liquidator of Tenant, or of all or substantially all of Tenant's assets, and such order, judgment or decree shall continue unstayed and in effect for a period of sixty (60) consecutive days.

k. The failure by Tenant to observe or perform any material covenant, condition, or provision in this Lease not already specifically mentioned in this Section 19, where such failure continues for thirty (30) days after written notice from Landlord notifying Tenant of such failure; provided, however, that if the nature of Tenant's failure is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be in default if it begins such cure within the thirty (30) day period described above and thereafter diligently prosecutes such cure to completion.

20. Landlord's Remedies. Following an Event of Default, Landlord shall have the right, at its sole option, to terminate this Lease. In addition, with or without terminating this Lease, Landlord may re-enter, terminate Tenant's right of possession and take possession of the Leased Premises. The provisions of this Section 20 shall operate as a notice to quit, and Tenant hereby waives any other notice to quit or notice of Landlord's intention to re-enter the Leased Premises or terminate this Lease, except as required by law. If necessary, Landlord may proceed to recover possession of the Leased Premises under applicable law, or by such other proceedings, including re-entry and possession, as may be applicable. If Landlord elects to terminate this Lease and/or elects to terminate Tenant's right of possession, everything contained in this Lease on the part of Landlord to be done and performed shall cease without prejudice, subject however, to Tenant's liability for all Base Rent, Additional Rent and other sums specified herein. Whether or not this Lease and/or Tenant's right of possession is terminated, Landlord shall have the right, at its sole option, to terminate any right of renewal, expansion, first offer or refusal and any right to purchase the Leased Premises contained in this Lease and to grant or withhold any consent or approval pursuant to this Lease in its sole and absolute discretion. Whether or not this Lease and/or Tenant's right of possession is terminated or any suit is instituted, Tenant shall be liable for any Base Rent, Additional Rent, damages or other sum which may be due or sustained prior to such default, and for all costs, fees and expenses (including, but not limited to, attorneys' fees and costs, brokerage fees, expenses incurred in enforcing any of Tenant's obligations under the Lease or in placing the Premises in first-class rentable condition, advertising expenses, and any concessions or allowances granted by Landlord) incurred by Landlord in pursuit of its remedies hereunder and/or in recovering possession of the Leased Premises and renting the Premises to others from time to time plus other actual or consequential damages suffered or incurred by Landlord on account of Tenant's default (including, but not limited to, late fees or other charges incurred by Landlord under any Mortgage). Tenant also shall be liable for additional damages which at Landlord's election shall be either one or a combination of the following: (a) an amount equal to the Base Rent and Additional Rent due or which would have become due from the date of Tenant's default through the remainder of the Term, less the amount of rental, if any, which Landlord receives during such period from others to whom the Premises may be rented (other than any Additional Rent received by Landlord as a result of any failure of such other person to perform any of its obligations to Landlord), which amount shall be computed and payable in monthly installments, in advance, on the first day of each calendar month following Tenant's default and continuing until the date on which the Term would have expired but for Tenant's default, it being understood that separate suits may be brought from time to time to collect any such damages for any month(s) (and any such separate suit shall not in any manner prejudice the right of Landlord to collect any damages for any subsequent month(s)), or Landlord may defer initiating any such suit until after the expiration of the Lease Term (in which event such deferral shall not be construed as a waiver of Landlord's rights as set forth herein and Landlord's cause of action shall be deemed not to have accrued until the expiration of the Term), and it being further understood that if Landlord elects to bring suits from time to time prior to reletting the Leased Premises, Landlord shall be entitled to its full damages through the date of the award of damages without regard to any Base Rent, Additional Rent or other sums that are or may be projected to be received by Landlord upon reletting of the Leased Premises or (b) Landlord's determination as to the fair market value and projected vacancy period shall be presumptively correct and Tenant shall have the burden of proving otherwise by clear and convincing evidence. Landlord may bring suit to collect any such damages at any time after an Event of Default shall have occurred. In the event Landlord relets the Leased Premises for a term extending beyond the scheduled expiration of the Term, it is understood that Tenant will not be entitled to apply any base rent, additional rent or other sums generated or projected to be generated in the period extending beyond the scheduled expiration of the Term (collectively, the "Extra Rent") against Landlord's damages. Similarly in proving the amount that would be received by Landlord upon a reletting of the Leased Premises as set forth above, Tenant shall not take into account the Extra Rent. The provisions contained in this Section shall be in addition to, and shall not prevent the enforcement of, any claim Landlord may have against Tenant for anticipatory breach of this Lease. Nothing herein shall be construed to affect or prejudice Landlord's right to prove, and claim in full, unpaid Base Rent and Additional Rent accrued prior to termination of this Lease. If Landlord is entitled, or Tenant is required, pursuant to any provision hereof to take any action upon the termination of the Lease Term, then Landlord shall be entitled, and Tenant shall be required, to take such action also upon the termination of Tenant's right of possession.

21. Landlord's Rights Cumulative. All rights and remedies of Landlord set forth in this Lease are cumulative and in addition to all other rights and remedies available to Landlord at law or in equity. The exercise by Landlord of any such right or remedy shall not prevent the concurrent or subsequent exercise of any other right or remedy. No delay or failure by Landlord to exercise or enforce any of Landlord's rights or remedies or Tenant's obligations shall constitute a waiver of any such rights, remedies or obligations. Landlord shall not be deemed to have waived any default by Tenant unless such waiver expressly is set forth in a written instrument signed by Landlord. If Landlord waives in writing any default by Tenant, such waiver shall not be construed as a waiver of any covenant, condition or agreement set forth in this Lease except as to the specific circumstances described in such written waiver.

22. Default of Landlord. In the event Landlord defaults in its obligations to Tenant under this Lease and if such default continues for thirty (30) days following written notice from Tenant to Landlord (provided that if the default cannot be cured within the said thirty (30) days, Landlord shall not be in default of this Lease as long as Landlord has promptly commenced to cure the default and is diligently progressing to cure the default), then Tenant may (i) cure the matter complained of and invoice Landlord for the cost thereof, or (ii) pursue any other remedy available under the terms of this Lease or at law or in equity. Tenant shall not have the right to set off, recoup, abate or deduct any amount allegedly owed to Tenant pursuant to any claim against Landlord from any Rent or other sum payable to Landlord. Tenant's sole remedy for recovering upon such claim shall be to institute an independent action against Landlord, which action shall not be consolidated with any action of Landlord.



23. Redelivery of Leased Premises. Tenant shall, upon termination or cancellation of this Lease, peacefully quit, surrender and deliver unto Landlord the Leased Premises in as good a condition as when received, with the exception of normal wear and tear, fire, the elements, damage covered by insurance, acts of God, civil riot, war, insurrection or other unavoidable casualty.

24. Eminent Domain. If the whole of the Leased Premises shall be taken for any public or quasi-public use under any governmental law, ordinance or regulation or by right of eminent domain, this Lease shall terminate effective when the physical taking of the Leased Premises shall occur and the Rent, and any other payments to be made by Tenant to Landlord pursuant to the terms hereof, shall be paid only to the date of such termination and adjusted to that date. If only a portion of the Leased Premises shall be thus taken or sold, Landlord may terminate this Lease by giving written notice thereof to Tenant, in which event this Lease shall terminate effective when the physical taking thereof shall occur. In the event only a portion of the Leased Premises shall be taken in condemnation as set forth above and Landlord does not elect to terminate this Lease, then this Lease shall continue in full force and effect and the Rent payable by Tenant hereunder shall be adjusted and proportionately reduced.

25. Quiet Enjoyment. Landlord covenants that Landlord is lawfully seized of the Leased Premises and has full right and authority to make and enter into this Lease and that Tenant shall have the quiet and peaceable possession of the Leased Premises during the primary and any renewal term hereof so long as Tenant is not in default in any of the terms and provisions of this Lease.

26. Inspection of Leased Premises. Landlord shall have the right to enter upon the Leased Premises or any portion thereof at any reasonable time and from time to time for the purpose of inspecting the same or for the purpose of exhibiting the Leased Premises to others interested in purchasing the same or in future leasing or rental thereof or for the purpose of correcting any condition which may exist thereon which is in violation of this Lease or for any other reasonable purpose, whether the same relates to safety, protection, preservation, cleaning or improvement of the Leased Premises or otherwise; PROVIDED, HOWEVER, nothing herein contained shall prevent Landlord from entering upon the Leased Premises at any time and under any condition for the purpose of correcting any emergency or to prevent the breach of this Lease or the violation of any ordinance, statute or law by Tenant and Landlord shall not in any event be liable for inconvenience, annoyance, disturbance or damage to Tenant by reason of such inspection.

27. Damage or Destruction. If the improvements located on the Leased Premises are totally or partially damaged or destroyed, by fire or other casualty, then promptly after such damage or destruction, Tenant shall repair, rebuild or restore all damaged improvements on or about the Leased Premises so as to make the Leased Premises at least equal in value to the Leased Premises existing immediately prior to such damage or destruction. All such repair, rebuilding or restoration shall be at Tenant's expense; provided, however that, to the extent necessary to effect such repair, rebuilding or restoration, Landlord will make available to Tenant the net proceeds of any fire or other casualty insurance paid to Landlord after deduction of any costs incurred in connection with the collection thereof, including reasonable attorneys' fees. Payment to Tenant of such net proceeds shall be made in accordance with reasonable procedures customarily required in connection with construction loans. Tenant shall deliver to Landlord for Landlord's prior written approval the plans and specifications, as well as a schedule setting forth the estimated monthly draws for such work. If Landlord does not respond to Tenant in writing of its disapproval of the plans and specifications within thirty (30) days after the receipt by Landlord of a written request from Tenant, Tenant's request shall be deemed approved by Landlord. Upon Landlord's approval thereof, Tenant will begin such repairs, rebuilding or restoration and will prosecute the same to completion with diligence and in accordance with the terms and conditions contained in Section 11 of this Lease. Landlord and its architects and engineers shall have the right, at Tenant's expense, to inspect the Leased Premises from time to time during such repair, rebuilding and restoration. In no event, however, shall Landlord have any liability whatsoever for any defects in the design or construction, or the compliance of the plans and specifications with Laws. In no event shall any damage or destruction allow Tenant to abate the payment of Base Rent or Additional Rent or terminate this Lease.

28. General Terms, Covenants and Agreements.

a. Time of Essence. It is mutually agreed that time is of the essence in the performance of each and every term, covenant and condition of this Lease.

b. Entirety, Amendments and Waiver. This Lease constitutes the entire understanding and agreement by and between the parties hereto relative to the subject matters herein set forth. There are no terms, obligations, covenants, statements, representations, warranties or conditions relating to the subject matters hereof other than those specifically contained herein. This Lease supersedes all prior oral or written negotiations, agreements and covenants relative to the subject matters herein contained. No amendment or modification of the terms of this Lease shall be deemed valid unless first reduced to writing and signed by both parties hereto and no waiver of any of the terms of this Lease shall be binding unless reduced to writing and signed by the party or parties sought to be charged with such waiver.

c. Invalidity or Unenforceability. Should any clause or provision of this Lease be determined by a court of competent jurisdiction to be invalid, void or voidable for any reason, such invalid, void or voidable clause or provision shall not affect the whole of this Lease and the balance of the provisions hereof shall remain in full force and effect. Further, if the original intent of any clause or provision held to be invalid, void or voidable can be preserved and such invalid, void or voidable clause or provision corrected by revision of the verbiage utilized in this Lease then the parties hereto shall enter into such written amendments to this Lease as shall be necessary in order to effectuate the enforceability of such clause or provision and the original intent of the parties as reflected hereunder.

d. Binding Effect. It is agreed that the provisions, covenants and conditions of this Lease shall be binding upon and inure to the benefit of Tenant, its successors and assigns, to the extent assignment is specifically permitted hereunder, and shall be binding upon and inure to the benefit of Landlord, its successors and assigns.

e. Notices and Communications. All notices required or which may be given under the terms of this Lease or any other communications between Landlord and Tenant provided by the terms hereof or pertaining or relating to this Lease shall be deemed to be properly given and served if reduced to writing and (a) personal delivery (b) reputable overnight delivery service (including Federal Express, UPS or DHL) (c) fax (with acknowledgment of receipt, or (d) email, in each case to the respective address or number indicated or later provided by Landlord or Tenant pursuant to this Section sent by registered or certified mail, postage prepaid, with return receipt requested, and if intended for Landlord addressed to Landlord, c/o Robert B. Rosene, Jr, 2520 E. 45<sup>th</sup> St., Tulsa, OK 74105, email: bob@summitexp.com with a copy, which shall not constitute notice, to Hall Estill, 320 S. Boston Ave., Suite 200, Tulsa, OK 74103, Attn: Vaden F. Bales, Email: vbales@hallestill.com, and if intended for Tenant addressed to Tenant at the Leased Premises to the attention of Warren F. Kruger, Email: [wfk@gstmfg.com](mailto:wfk@gstmfg.com), 1613 E. 15th, Tulsa, OK 74120. A notice will be deemed to have been made on the date (i) of delivery with respect to (a), (ii) of delivery or the date on which delivery was refused as indicated on the delivery service's record of deliver with respect to (b), and (iii) indicated on the confirmation or transmission of receipt if transmitted during business hours, or the next business day if transmitted after business hours with respect to (c) and (d). Either party hereto may change the address to which notice is to be sent to such party by prior written notice to the other.

f. Paragraph Captions. The paragraph captions throughout this Lease are for convenience and reference only and the words contained therein shall in no way be held to explain, modify, amplify, or aid in the interpretation, construction or meaning of the provisions hereof.

g. Applicable Law. This Lease has been prepared in accordance with the laws of the State of Iowa and is to be interpreted, construed and enforced in accordance with the laws of said State. For the purposes of interpretation and enforcement of the provisions hereof, this Lease shall be conclusively deemed to have been prepared jointly by the Landlord and Tenant and not by one party to the exclusion of the other.

h. Duplicate Originals. Any fully executed copy of this Lease shall be deemed for all purposes as a duplicate original hereof.

i. Gender. Whenever used herein the singular number shall include the plural, the plural the singular, and the use of any gender shall be applicable to both genders.

j. Agency. Nothing herein contained shall be deemed or construed by the parties hereto nor by any third party as creating the relationship of principal and agent or of partnership or of joint venture between the parties, nor shall any act of the parties hereto be deemed to create any relationship between the parties other than the relationship of Landlord and Tenant.

k. Attorney Fees and Costs. In the event either party hereto shall file an action to enforce any agreement contained in this Lease or for breach of any covenant or condition hereof, then the prevailing party in any such action shall be entitled to recover from the other party or parties a reasonable attorney's fee for the services of the prevailing parties' attorney, together with any and all costs of such action, said fees to be fixed by a court having competent jurisdiction over the subject matter in dispute.

29. Security Deposit. None.

30. Indemnities.

a. "Hazardous Substances" means any toxic or hazardous wastes, pollutants, or substances, including, without limitation, asbestos, PCBs, petroleum products and by products, substances defined or listed as "hazardous substances" or similarly identified in or pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601 et seq., hazardous materials identified in or pursuant to the Hazardous Materials Transportation Act, 49 U.S.C. 1902, et seq., hazardous waste identified in or pursuant to The Resource Conservation and Recovery Act, 42 U.S.C. 6901 et seq., any chemical substance or mixture regulated under the Toxic Substance Control Act of 1976, 15 U.S.C. 2601 et seq., any "toxic pollutant" under the Clean Water Act, 33 U.S.C. 1251 et seq., and any hazardous or toxic substance or pollutant regulated under any other applicable federal, state or local environmental laws, as the same may be from time to time amended.

b. Tenant hereby agrees to indemnify and hold Landlord, its affiliates, members, managers, officers, directors, employees and agents ("Landlord Group") harmless from and against, and shall reimburse the Landlord Group for, any and all loss, claim, liability, damages, injunctive relief, injuries to person, property or natural resources, cost, expense, action or cause of action, arising in connection with the release or presence of any Hazardous Substance at or from the Leased Premises, whether foreseeable or unforeseeable, regardless of the source of such release or when such foregoing indemnity includes, without limitation, all cost in law or in equity of removal, remediation of any kind, and disposal of such Hazardous Substances to the extent required by or appropriate under applicable environmental laws, all reasonable costs of determining whether the Leased Premises are in compliance with applicable environmental laws and causing the Leased Premises to be in compliance with all applicable environmental laws, all costs associated with claims from damages to person, property, or natural resources, and Landlord Group's reasonable attorneys' and consultants' fees and court costs.

c. Tenant agrees to indemnify, defend, and hold Landlord Group harmless from and against all losses, claims, liabilities, damages, costs, expenses, action or cause of action suffered by or claimed against any member of Landlord Group directly or indirectly based on, or arising out of, in whole or in part (i) the use, condition, operation, maintenance, repair, alteration, and occupancy of the Leased Premises or the business conducted therein or therefrom (ii) any act, omission, negligence, or willful misconduct of Tenant, its members, managers, employees, contractors, and invitees, or (iii) any accident, injury, death, or damage to the person, property or business of Tenant, its members, managers, officers, employees, contractors and invitees, or any other person, that shall happen at, in, or upon the Leased Premises or arising out of the conduct of Tenant's business thereon, however occurring.

d. This Section 30 shall be binding upon Tenant's successors and assigns and shall inure to the benefit of the Landlord's successors and assigns and shall survive, and remain in full force after, the date hereof and the termination of this lease and any renewals hereof.

*Signature Page Follows*

IN WITNESS WHEREOF, Landlord and Tenant have each executed this Lease Agreement effective the day and year hereinabove first written.

**LANDLORD**

**GREYSTONE REAL ESTATE, L.L.C.,**  
an Oklahoma limited liability company

By: /s/ Robert B. Rosene, Jr.  
Robert B. Rosene, Jr., Manager

**TENANT**

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

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

EXHIBIT "A"

Legal Descriptions of Leased Premises

1. 2600 Shoreline Drive, Bettendorf, IA 52722, whose legal description is Lot 2, Riverside Development Park, 3rd Addition to the City of Bettendorf, Scott County, Iowa.
2. 2601 Shoreline Drive, Bettendorf, IA 52722 whose legal description is Lot 3, Riverside Development Park, 5th Addition to the City of Bettendorf, Scott County, Iowa.

**Subsidiaries of Greystone Logistics, Inc.**

<b>Subsidiary</b>	<b>Jurisdiction of Incorporation or Organization</b>
Plastic Pallet Production, Inc.	Texas
Greystone Manufacturing, L.L.C.	Oklahoma

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CERTIFICATION

I, Warren F. Kruger, certify that:

1. I have reviewed this annual report on Form 10-K for the fiscal year ended May 31, 2023, 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.

August 28, 2023

*/s/ Warren F. Kruger*

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Warren F. Kruger  
President and Chief Executive Officer  
(principal executive officer)

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CERTIFICATION

I, William W. Rahhal, certify that:

1. I have reviewed this annual report on Form 10-K for the fiscal year ended May 31, 2023, 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.

August 28, 2023

*/s/ William W. Rahhal*

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William W. Rahhal  
Chief Financial Officer  
(principal 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 annual report of Greystone Logistics, Inc. (the "Company") on Form 10-K for the period ended May 31, 2023, 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.

August 28, 2023

*/s/ Warren F. Kruger*

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Warren F. Kruger  
President and Chief Executive Officer  
(principal 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.

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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 annual report of Greystone Logistics, Inc. (the "Company") on Form 10-K for the period ended May 31, 2023, 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.

August 28, 2023

*/s/ William W. Rahhal*

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William W. Rahhal  
Chief Financial Officer  
(principal 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.

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