

GREYSTONE LOGISTICS, INC.  
Form 10-K  
August 29, 2016

**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, 2016

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-26331

**GREYSTONE LOGISTICS, INC.**

(Exact name of registrant as specified in its charter)

**Oklahoma**

**75-2954680**

(State or other jurisdiction (I.R.S. Employer  
of incorporation or organization) 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 under Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
<b>None</b>	<b>None</b>

Securities registered under 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

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

Yes  No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company

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

As of November 30, 2015, the aggregate market value of the voting common stock held by non-affiliates of the registrant, computed by using the average of the high and low price on such date, was \$3,422,406 (\$0.215 per share).

As of August 12, 2016, the issuer had outstanding a total of 28,361,201 shares of its \$0.0001 par value common stock.

**DOCUMENTS INCORPORATED BY REFERENCE**

None.



**GREYSTONE LOGISTICS, INC.**

**FORM 10-K**

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## **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, Greystone caused its newly formed, wholly owned subsidiary, Greystone Logistics, Inc., an Oklahoma corporation, to be merged with and into Greystone. In connection with such merger and as of the effective time of the merger, Greystone 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 one of its wholly owned subsidiaries, GSM. Greystone sells its pallets through a network of independent contractor distributors and direct sales by its president and other employees. As of May 31, 2016, Greystone had an aggregate in-house production capacity of approximately 85,000 pallets per month for its medium and heavy-duty

pallets and 20,000 for its lightweight nestable pallets.

Greystone's product line as of May 31, 2016 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,

24"X 40" display pallet,

48"X 40" monoblock (one-piece) pallet,

Half-barrel keg stackable pallet,

Slim keg stackable pallet, and

36"X 36" rackable pallet.

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, national and international suppliers.

### **Other Business**

Greystone processes recycled plastic into pellet form which may be sold or used in Greystone's production of pallets. The sale of pelletized resin is dependent on Greystone's ability to realize reasonable profit, which is generally based on market conditions. Greystone also provides tolling services whereby it grinds and pelletizes a customer's plastic material for a fee.

### **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. There are an estimated 1.9 to 2.0 billion pallets in circulation daily in the United States (an estimated 97% wood pallets and 3% plastic or other pallets). In 2004, the William H. Sardo Jr. Pallet and Container Research Laboratory at Virginia Tech University, under the direction of Dr. Marshall S. "Mark" White, estimated total pallet annual production in the United States at 814 million broken down as follows:

500 million new wood pallets



300 million repaired and used wood pallets

8.3 million plastic pallets

5.5 million corrugated paperboard pallets

1.1 million metal pallets

According to the National Hardwood Lumber Association (NHLA), approximately 4.5 billion board feet of hardwood lumber is used annually for containers and pallets, which is almost 40% of all hardwood produced in the U.S. 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.

A wood container and pallet manufacturing industry report by Supplier Relations US estimated revenue for the year 2009 was approximately \$6.7 billion with a gross profit of 21.11%. The wood pallet and container industry is by no means concentrated, with roughly 2,500 – 3,000 pallet manufacturers and recyclers in operation. The estimated breakdown of wood pallet manufacturers is as follows:

44% manufacture new pallets only

47% manufacture new pallets and recovered use pallets (repair)

9% manufacture recovered use pallets only

Estimates of wood pallet manufacturing industry capacity utilization was at less than 60% in 2000 (Source: Sardo Laboratory). According to the 2007 Economic Census, wood pallet and container manufacturers are rather small, totaling just 2,638 companies with a total of 58,467 employees. Only 65 of these companies reported more than 100 employees and more than 2,000 of these companies reported less than 20 employees. A typical company in this sector has only one establishment. Capital investment in the industry was estimated in 2007 at \$238.5 billion. Recent U.S. Census Bureau statistics also reports the value of shipments has increased almost 45% over the period from 2000 – 2008, or at an annual growth of 5%.

IBIS World forecasts modest industry growth over the next few years with little change in industry structure. Greystone believes that a gradual shifting from wood pallets to plastic pallets will take place over time. Because of the lack of concentration among wood pallet manufacturers, there is a lesser risk of coordinated response (price, performance) against the penetration of plastic pallets. Wood is also a resource which faces environmental pressures (logging issues) as well as possible substantial overseas demand (China). A Freedonia Group industrial research report estimates that the U.S. demand for plastic pallets will grow to \$982 million by 2017 as compared to \$655 million in 2012.

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 operating issues presented by wood pallets have been tolerated to date as there has been no viable alternative in sufficient size for replacement.

### *Types of Pallets*

There are over 400 different pallet sizes used by companies in the United States. Some of the most common sizes used in the U.S. according to the American National Standard/MH1 (2005) are listed below:

Pallet Type	Pallet Size	Share of Annual Production (%)
Grocery	48 X 40"	30.0
Chemical	42 X 42"	5.7
Military	40 X 48"	4.0
Beverage	36 X 36"	3.0
Dairy	40 X 40"	3.0

The most common size pallet is the 48 x 40" 4-way pallet or otherwise referred to as the GMA (Grocery Manufacturer Association) pallet, sometimes known in the industry as the "GMA Pallet," "The GMA Pallet," "GMA 48 x 40 Pallet," or "GMA Block Pallet." The GMA 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 land filled or used as wood compost.

Pallets are the primary interface between the packaged product and today's highly automated material handling equipment. Currently, approximately 90% of the U.S. domestic product is shipped on pallets. 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.

During the past two decades 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 plastic recycled pallets.

Greystone's management believes that the trend will continue to switch from wood to plastic, with the only limiting factor being price. Greystone intends to continue to conduct research on pallet design strength and coefficient of friction and the materials used to make the plastic pallets as required to meet market demands and improve its existing products.

## **Employees**

As of May 31, 2016, Greystone had 183 full-time employees and used a temporary personnel service to provide additional production personnel as needed.

## **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 derives a substantial portion of its revenue from one customer. This customer accounted for approximately 41% and 51% of total sales in fiscal years 2016 and 2015, respectively. The design of Greystone's recycled plastic pallets are approved for use by the customer and are the only plastic pallets in use for its case goods and kegs. There is no assurance that Greystone will retain this customer's business at the same level, or at all. The loss of a material amount of business from this customer 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 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 such areas of product

development, manufacturing and marketing. However, Greystone believes that its proprietary designs coupled with the competitive pricing of its products gives Greystone a competitive advantage over other plastic pallet manufacturers.

### **Government Regulation**

The 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.

### **Item 1A. Risk Factors.**

Not applicable.

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

None.

**Item 2. Properties.**

Greystone leases four buildings for a total of 195,000 square feet of manufacturing and warehouse space. Two of the buildings are located on approximately 3 acres of land in Bettendorf, Iowa with a total of 120,000 square feet of space, a third building with approximately 25,000 square feet of space is located in Camanche, Iowa and a fourth building with approximately 50,000 square feet of space is located in Sand Springs, Oklahoma. The two buildings in Bettendorf, Iowa are leased from Greystone Real Estate, L.L.C. (“GRE”), a variable interest entity owned by Warren F. Kruger, Greystone’s President, CEO and a director, and 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.

**Item 3. Legal Proceedings.**

None.

**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. 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.:

Quarter Ended	High	Low
Aug. 31, 2014	\$0.60	\$0.47
Nov. 30, 2014	0.50	0.29
Feb. 28, 2015	0.38	0.22
May 31, 2015	0.34	0.24
Aug. 31, 2015	0.32	0.24
Nov. 30, 2015	0.29	0.15
Feb. 29, 2016	0.24	0.14
May 31, 2016	0.32	0.21

Quotations reflect inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions.

**Holders**

As of approximately July 16, 2016, Greystone had approximately 252 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 January 31, 2014 (the "IBC Loan Agreement"), among Greystone, GSM and International Bank of Commerce ("IBC") prohibits Greystone from declaring or paying any dividends in respect to its common stock 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 8 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 \$325,885 and \$298,288 in fiscal years 2016 and 2015, respectively.

**Item 6. Selected Financial Data.**

Not applicable.

**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.

### **Risk Factors**

**Greystone has attained operating profits and positive cash flow from operating activities but there is no assurance that it will be able to sustain profitability.**

Greystone was incorporated on February 24, 1969. From April 1993 to December 1997, Greystone was engaged in various businesses, including the business of exploration, production, and development of oil and gas properties in the continental United States and the operation of a related service business. In December 1997, Greystone acquired all of the issued and outstanding stock of Plastic Pallet Production, Inc., and its principal business changed to selling plastic pallets. Greystone incurred losses from operations from such time through fiscal year 2007. The results of Greystone’s operations for the fiscal years after fiscal year 2007 showed an operating profit and positive cash flows from operations with the exception of fiscal year 2011 for which Greystone incurred a loss but had positive operating income and positive cash flows from operations. There is no assurance that Greystone will maintain a positive operating profit or otherwise obtain funds to finance capital and debt service requirements.

**Greystone has granted security interests in substantially all of its assets in connection with certain debt financings and other transactions.**

In connection with certain debt financings and other transactions, Greystone has granted third parties security interests in substantially all of its assets pursuant to agreements entered into with such third parties. Upon the occurrence of an event of default under such agreements, the secured parties may enforce their rights and Greystone may lose all or a portion of its assets. As a result, Greystone could be forced to materially reduce its business activities or cease operations.

**Greystone's business could be affected by changes in 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, national and 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.

**Greystone is dependent on a few large customers.**

Greystone derives, and expects that in the foreseeable future it will continue to derive, a large portion of its revenue from a few large customers. A single customer currently accounts for approximately 41% of its total sales in fiscal year 2016 (51% in fiscal year 2015). There is no assurance that Greystone will retain this customer's business at the same level, or at all. The loss of a material amount of business from this customer would have a material adverse effect on Greystone.

**Greystone 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.

**Greystone's business could be affected by changing 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, 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 and disposal fees and limits on the use of plastic products. In addition, various consumer and special interest groups have lobbied from time to time for the implementation of these and other such 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.

**Greystone's 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 43% of Greystone's outstanding common stock and have approximately 49% 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 one of Greystone's executive officers) 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.

**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's common stock may be subject to secondary trading restrictions related to penny stocks.**

Certain transactions involving the purchase or sale of Greystone's common stock may be affected by a Commission rule for "penny stocks" that imposes additional sales practice burdens and requirements upon broker-dealers that purchase or sell such securities. For transactions covered by this penny stock rule, among other things, broker-dealers must make certain disclosures to purchasers prior to the purchase or sale. Consequently, the penny stock rule may impede the ability of broker-dealers to purchase or sell Greystone's common stock for their customers and the ability of persons now owning or subsequently acquiring Greystone's common stock to resell such securities.

**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, 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 4,971,400,000 additional shares of its common stock and securities convertible into common stock.

**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”).

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. In addition, GSM provides tolling services, consisting of grinding and pelletizing recycled resin, on materials belonging to third parties and on GSM’s materials which are sold in pellet form.

As of May 31, 2016, Greystone had 183 full-time employees and used temporary personnel as needed. Greystone’s in-house production capacity for its molding machines capable of producing medium and heavy-duty pallets is about 85,000 plastic pallets per month, or 1,020,000 per year and a smaller molding machine capable of producing its lightweight nestable pallets is about 20,000 per month, or 240,000 per year. Production levels generally will vary proportionately with sales.

#### **Year Ended May 31, 2016 Compared to Year Ended May 31, 2015**

##### Sales

Sales were \$26,340,405 for fiscal year 2016 compared to \$22,293,922 for fiscal year 2015 for an increase of \$4,046,483. Pallet sales were \$25,824,148 in fiscal year 2016 compared to \$21,064,335 in fiscal year 2015 for an increase of \$4,759,813. Other sales decreased \$713,330 from \$1,229,587 in fiscal year 2015 to \$516,257 in fiscal year 2016.

The increase in pallet sales from fiscal year 2015 to 2016 is principally due to sales to a new customer which accounted for approximately 15% of total sales in 2016. Pallet sales to Greystone's other major customer were approximately 41% of total sales in fiscal year 2016 compared to 51% in fiscal year 2015.

Other sales consist of sales of pelletized-recycled plastic and tolling services for third parties. The decline in other sales from fiscal year 2015 to 2016 is primarily due to a decrease approximately \$1,024,000 in sales of Greystone's pelletized material offset by an increase of approximately \$294,000 in tolling service revenue. Sales of pelletized-recycled plastic is dependent on market conditions which will allow Greystone to realize an acceptable profit margin in the relationship of sales to the cost of purchasing and pelletizing raw materials. Increases in tolling services and production of pallets by Greystone have limited the amount of pelletized plastic which can be produced for resale.

#### Cost of Sales

Cost of sales was \$21,591,039 (82% of sales) and \$18,269,192 (82% of sales) in fiscal years 2016 and 2015, respectively. The ratio of cost of pallet sales to pallet sales had an increase of approximately 2% from 81% in fiscal year 2015 to 83% in fiscal year 2016 due primarily to start-up costs to meet requirements for new customers.

The cost of sales for other sales was approximately 36% of other sales for fiscal year 2016 compared to approximately 99% of other sales for fiscal year 2015. Profit margins on tolling services are greater than sales of pelletized recycled resin which accounts for the decrease from fiscal year 2015 to fiscal year 2016.

#### General, Selling and Administrative Expenses

General, selling and administrative expense was \$2,555,249 for fiscal year 2016 compared to \$2,168,762 for fiscal year 2015 for an increase of \$386,487 or approximately 18%. The increase in general, selling & administrative expenses from fiscal year 2015 to fiscal year 2016 is primarily due to the additional support necessary to maintain the increased activity in production and sales that occurred in the current period and are expected for future periods.

#### Interest Expense



Interest expense was \$862,428 in fiscal year 2016 compared to \$818,136 in fiscal year 2015 for an increase of \$44,292. This increase is primarily attributable an increase in debt related to the acquisition of production equipment.

Provision for Income Taxes

The provision for income taxes was \$495,555 in fiscal year 2016 compared to \$430,763 in fiscal year 2015. As of May 31, 2016, as well as May 31, 2015, Greystone's management determined that no valuation allowance was considered necessary. 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 and certain expiring NOLs which are limited by the Internal Revenue Code due to a change in control of the ownership of Greystone.

Until the NOLs are fully realized for income tax purposes, management will continue to evaluate the extent that a valuation allowance is needed. Factors that management will consider, among others, are continued diversity in Greystone's customer base and stability in its sales volumes.

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 \$836,134 in fiscal year 2016 compared to \$609,569 in fiscal year 2015 for an increase of \$226,565 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 \$271,726, or \$0.01 per share, in fiscal year 2016 compared to \$57,565, or \$0.00 per share, in fiscal year 2015 for the reasons discussed above.

**Liquidity and Capital Resources****General**

A summary of Greystone's cash flows for the year ended May 31, 2016 is as follows:

Cash provided by operating activities	\$2,915,065
Cash used in investing activities	\$(4,323,131)
Cash provided by financing activities	\$1,706,556

Long-term debt obligations of Greystone as of May 31, 2016 are as follows:

<b>Total</b>	<b>1 year</b>	<b>2-3 years</b>	<b>4-5 years</b>	<b>Over 5 years</b>
\$15,446,748	\$2,088,327	\$13,346,756	\$11,665	\$ —

Greystone had a working capital deficit of \$(1,307,517) at May 31, 2016. The exclusion of accrued interest payable to Robert B. Rosene, Jr., a member of Greystone's board of directors, in the amount of \$2,475,690 as of May 31, 2016 results in working capital of \$1,168,173.

Greystone's principal long-term debt obligations include term notes with International Bank of Commerce which mature on January 31, 2019 and a note payable and accrued interest payable to Mr. Rosene maturing on January 15, 2018. To provide for the funding to meet Greystone's operating activities and contractual obligations as of May 31, 2016, 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 capital to meet these obligations.

As described below, substantially all of the financing that Greystone has received through May 31, 2016 has been provided by loans or through bank loan guarantees from the officers and directors of Greystone, the offerings of preferred stock to current and former officers and directors of Greystone in 2001 and 2003 and through a private placement of common stock completed in March 2005. 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%. Greystone paid the accumulated dividends to its preferred stockholders during fiscal years 2016 and 2015 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 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 Greystone’s CEO and President, owns and rents to Greystone (1) grinding equipment used to grind raw materials for Greystone’s pallet production and (2) extruders for pelletizing recycled plastic into pellets for resale and for use as raw material in the manufacture of pallets. Greystone compensates Yorktown for the use of equipment as discussed below.

Yorktown previously owned a plastic grinding and wash line plastic recycling facility located in Sand Springs, Oklahoma, which sold recycled plastic to Greystone at market prices. Effective June 1, 2015, Greystone assumed operations of the Sand Springs facility and made rental payments totaling \$105,000 to Yorktown for use of this equipment through February 29, 2016. On and effective February 29, 2016, GSM and Yorktown entered into an Asset Purchase Agreement and Bill of Sale (the “Bill of Sale”) providing for GSM’s acquisition of the equipment located at the facility for \$1,137,865. Payment consisted of an offset against the purchase price of \$449,569 which was an amount that Yorktown owed to GSM as of the date of the acquisition and a note payable in the amount of \$688,296 which Greystone issued to Yorktown payable over 36 months at 5% interest. GSM continued to operate within the facility by assuming the month-to-month rental of the facility with an unrelated party.

In fiscal year 2015, Greystone paid the labor on behalf of Yorktown’s Sand Springs, Oklahoma grinding operation and invoiced Yorktown for the cost. This procedure terminated June 1, 2015 when Greystone assumed operation of the Sand Springs plant as discussed herein.

*Rental fees.* GSM pays a weekly rental fees of \$22,500 and \$5,000 to Yorktown for grinding equipment and pelletizing equipment, respectively. Total rental fees of approximately \$1,430,000 were paid in both fiscal years 2016 and 2015.

In addition, Yorktown provides office space for Greystone in Tulsa, Oklahoma at a monthly rental of \$2,200 (\$2,000 prior to April 1, 2015).

#### **Loans from International Bank of Commerce (“IBC”)**

On January 31, 2014, Greystone and GSM (the “Borrowers”) and IBC entered into a Loan Agreement (the “IBC Loan Agreement”). The IBC Loan Agreement provides for a revolving loan in an aggregate principal amount of up to \$2,500,000 (the “Revolving Loan”) and a term loan in the aggregate principal amount of \$9,200,000 (the “Term Loan”). The exact amount which can be borrowed under the Revolving Loan from time to time is dependent upon the amount of the borrowing base, but can in no event exceed \$2,500,000. On January 7, 2016, the Borrowers and IBC entered into the First Amendment to the IBC Loan Agreement (the “First Amendment”) whereby IBC made an additional term loan to Borrowers in the original principal amount of \$2,530,072 (the “New Equipment Loan”). The New Equipment Loan and \$2,917,422 of the principal amount outstanding on the Term Loan were consolidated into a new loan in the combined principal amount of \$5,447,504 (the “Term Loan A”). The Term Loan’s remaining principal balance of \$3,000,000 was deemed to be a separate term loan (the “Term Loan B”). The additional proceeds of \$2,530,072 that were provided by the First Amendment were principally used to acquire new production equipment.

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

The Revolving Loan bears interest at the New York Prime Rate plus 0.5% but not less than 4.0%. The First Amendment extended the maturity date of the Revolving Loan to January 31, 2018. The Borrowers are required to pay all interest accrued on the outstanding principal balance of the Revolving Loan on a monthly basis. Any principal on the Revolving Loan that is prepaid by the Borrowers does not reduce the original amount available to the Borrowers. The proceeds from the Revolving Loan are used for general working capital purposes.

#### **Advances and Loans from Robert Rosene**

Effective December 15, 2005, Greystone entered into an agreement with Mr. Rosene to convert \$2,066,000 of advances into a note payable at 7.5% interest. Mr. Rosene has waived payment of principal until January 15, 2018. Greystone accrued interest on the loans in the amounts of \$332,415 and \$307,276 in fiscal years 2016 and 2015, respectively. Accrued interest due to Mr. Rosene at May 31, 2016 is \$2,475,690.

#### **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-16 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**

Disclosure controls and procedures are designed to ensure that information required to be disclosed by Greystone in reports filed or submitted under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed under the Exchange Act is accumulated and communicated to management, including the principal executive and financial officers, as appropriate, to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

As of May 31, 2016, an evaluation was performed under the supervision and with the participation of Greystone’s principal executive officer (CEO) and principal financial officer (CFO) of the effectiveness of the design and operation of Greystone’s disclosure controls and procedures pursuant to the Exchange Act Rules 13a-15(e) and 15d-15(e). Based on this evaluation, Greystone’s CEO and CFO have concluded that Greystone’s disclosure controls and procedures were not effective as of May 31, 2016 as a result of the two material weaknesses identified below.

**Management’s Report on Internal Control Over Financial Reporting**

Greystone's CEO and CFO are responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Greystone's internal controls were designed to provide reasonable assurance as to the reliability of Greystone's financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with generally accepted accounting principles in the United States, as well as to safeguard assets from unauthorized use or disposition.

Due to inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of control effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Greystone's CEO and CFO made an assessment of the effectiveness of Greystone's internal control over financial reporting as of May 31, 2016. In making this assessment, Greystone's CEO and CFO used the criteria established in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). During this evaluation, Greystone's CEO and CFO identified two material weaknesses. As a result of these two material weaknesses, Greystone's CEO and CFO concluded that Greystone did not maintain effective internal control over financial reporting as of May 31, 2016. The material weaknesses are as follows:

(i) Greystone lacks the necessary corporate accounting resources to maintain adequate segregation of duties. Reliance on these limited resources impairs Greystone's ability to provide for proper segregation of duties and the ability to ensure consistently complete and accurate financial reporting, as well as disclosure controls and procedures.

(ii) Greystone, at the parent entity level, has limited resources to ensure that necessary internal controls are implemented and followed throughout the company, including its subsidiaries. Because of this limitation with respect to the ability to allocate sufficient resources to internal controls, material misstatements could occur and remain undetected, implementation of new accounting standards could be hindered and risk assessment and monitoring may not be addressed in a timely manner.

### **Changes in Internal Control over Financial Reporting**

During the period covered by this report, there was no change in Greystone's internal controls over financial reporting that has materially affected or that is reasonably likely to materially affect Greystone's internal control over financial reporting.

### **Item 9B. Other Information.**

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 and a significant employee 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 Director	2016
Larry LeBarre	Director	2016



Robert B. Rosene, Jr.	Director	2016
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 60 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 TriEnda Holdings, 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 thirty 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 is a partner with William W. Pritchard in privately held WCC, with investments in oil and gas, real estate and investment banking.

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.

**Mr. Larry J. LeBarre, Director**

Mr. LeBarre, age 60, 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.

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

Mr. Rosene, age 62, is Chairman of Seminole Energy Services, L.L.C., a natural gas marketing and gathering company that he co-founded in 1998. Also in 1998, Mr. Rosene co-founded Summit Exploration, L.L.C., an oil and gas production company that holds oil and gas production in several states. Mr. Rosene has served as a director of publicly traded Sooner Holdings, Inc. since 1985. Mr. Rosene has a B.A. with an emphasis in accounting from Oklahoma Baptist University.

Mr. Rosene's business experience and longstanding relationship with Greystone make him a good fit as a member of Greystone's board of directors.

Mr. Rosene became a director of Greystone effective June 14, 2004.

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

Mr. Rahhal, age 75, 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. 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.

#### **Identification of the Audit Committee; Audit Committee Financial Expert**

As of May 31, 2016, Greystone had not established an audit committee and the entire Board of Directors essentially serves as Greystone's audit committee.

#### **Code of Ethics**

Effective April 8, 2008, Greystone 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.

#### **Section 16(a) Beneficial Ownership Reporting Compliance**

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 2016, to Greystone's knowledge, all Section 16(a) filing requirements applicable to its officers, directors and greater than 10% beneficial owners during fiscal year 2016 were complied with on a timely basis.



**Item 11. Executive Compensation.**

The following table sets forth the compensation paid to named executive officers during the fiscal years ended May 31, 2016, 2014 and 2013:

**Summary Compensation Table**

Name and Principal Position	Fiscal Year	Salary	Bonus	Option Awards	Nonqualified Deferred Compensation Earnings	Total
	Ending May 31,					
Warren F. Kruger, President and Chief Executive Officer	2016	\$240,000	\$2,000	\$ -	\$ -	\$249,500
	2015	\$240,000	\$2,000	\$ -	\$ -	\$242,000
	2014	\$240,000	\$32,000	\$ -	\$ -	\$272,000
William W. Rahhal, Chief Financial Officer	2016	\$107,500	\$2,000	\$ -	\$ -	\$109,500
	2015	\$100,000	\$2,000	\$ -	\$ -	\$102,000
	2014	\$79,808	\$14,500	\$ -	\$ -	\$94,308

The following table provides information with respect to named executive officers concerning outstanding equity awards as of May 31, 2016:

**Outstanding Equity Awards at Fiscal Year End**

Name and Principal Position	Number of Securities Underlying Unexercised Options – Exercisable	Number of Securities Underlying Unexercised Options – Unexercisable	Option	Option
			Exercise Price	Expiration Date
	-	125,000	(a) \$ 0.12	5/31/2022

Warren F. Kruger, President and Chief Executive Officer				
William W. Rahhal, Chief Financial Officer	-	62,500	(a) \$ 0.12	5/31/2022
Larry LeBarre, Member of Board of Directors	-	50,000	(a) \$ 0.12	5/31/2022
Robert B. Rosene, Jr., Member of Board of Directors	-	87,500	(a) \$ 0.12	5/31/2022

(a) The options become exercisable June 1, 2016.

### **Directors' Compensation**

Greystone does not have any plans or policies with respect to the compensation of its Board of Directors for their service on the Board. However, during the fiscal year ended May 31, 2016, the Board of Directors approved compensation to board members of \$7,500 per meeting attended. In fiscal year 2016 \$7,500 was paid to each of Messrs. Kruger, Rosene and LeBarre.

Because the Board of Directors consists of three persons of which two 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.

### **Amended and Restated Stock Option Plan**

**General.** Greystone's Amended and Restated Stock Option Plan (the "Stock Plan") is administered by the Board of Directors of Greystone or, if the Board so authorizes, by a committee of the Board of Directors consisting of not less than two members of the Board of Directors. The Stock Plan is presently administered by the entire Board of Directors since no separate committee of the Board has been designated to administer the Stock Plan. Accordingly, many of the references below in this description of the Stock Plan to the Board of Directors could also be construed to be a committee thereof. All managerial and other key employees of Greystone and/or its subsidiaries who hold positions of significant responsibility or whose performance or potential contribution, in the judgment of the Board of Directors, will benefit the future success of Greystone are eligible to receive grants under the Stock Plan. In addition, each director of Greystone who is not an employee of Greystone is eligible to receive certain option grants pursuant to provisions of the Stock Plan. Previously, the Stock Plan was set to expire on May 11, 2011 and the maximum number of shares of common stock in respect of which options could be granted under the Stock Plan was 2,000,000. However, on May 5, 2012, the Board of Directors voted to cause the Stock Plan to be extended for another 10 years and to increase the number of shares of common stock in respect of which options could be granted to 2,500,000. This number is subject to appropriate equitable adjustment in the event of a reorganization, stock split or stock dividend or other similar change affecting Greystone's common stock.

**Price and Terms.** Each option is evidenced by an agreement between Greystone and the optionee. Unless otherwise determined by the Board of Directors at the time of grant, all options become exercisable at the rate of 25% of the total shares subject to the option on each of the first four anniversary dates of the date of grant, provided that the Board of Directors may, at any time, accelerate the date any outstanding option becomes exercisable. The exercise price for each share placed under option pursuant to the Stock Plan is determined by the Board of Directors but cannot in any event be less than 100% of the fair market value of such share on the date the option was granted.

**Effect of Termination or Death.** If an optionee's employment with Greystone is terminated for any reason other than death or termination for cause, an option will be exercisable for a period of three months after the date of termination of employment as to all then vested portions of the option. In addition, the Board of Directors may, in its sole discretion, approve acceleration of the vesting of any unvested portions of the option. If an optionee's employment with Greystone is terminated for cause (as defined in the Stock Plan), the option shall terminate as of the date of such termination of employment, and the optionee shall have no further rights to exercise any portion of the option. If an optionee dies while employed by Greystone, any unvested portion of the option as of the date of death shall be vested as of the date of death, and the option shall be exercisable in full by the heirs or legal representatives of the optionee for a period of 12 months following the date of death. In any event, options terminate and are no longer exercisable after 10 years from the date of the grant.

**Continued Service as a Director.** In the event any optionee who is an employee and also a director of Greystone ceases to be employed by Greystone but continues to serve as a director of Greystone, the Board of Directors may determine that all or a portion of such optionee's options shall not expire three months following the date of employment as described above, but instead shall continue in effect until the earlier of the date the optionee ceases to

be a director of Greystone or the date the option otherwise expires according to its stated date of expiration. Termination of any such option in connection with the optionee's termination of service as a director will be on terms similar to those described above in connection with termination of employment.

***Grants to Non-Employee Directors.*** In order to retain, motivate and reward non-employee directors of Greystone, the Stock Plan extends participation to non-employee directors on the terms and conditions described below. The exercise price for options granted to non-employee directors is equal to 100% of the fair market value per share of common stock on the date the option is granted. As with options granted to employees, unless otherwise determined by the Board of Directors at the time of grant, all options granted to non-employee directors become exercisable at the rate of 25% of the total shares subject to the option on each of the first four anniversary dates of the date of grant. The Board of Directors is also entitled at any time to accelerate the date any outstanding option becomes exercisable. If a non-employee director's service on the Board of Directors is terminated for any reason other than death or removal from the Board of Directors for cause, an option will be exercisable for a period of three months after the date of removal from the Board of Directors as to all then vested portions of the option. If a non-employee director is removed from the Board of Directors for cause, the option will terminate as of the date of such removal, and the optionee shall have no further rights to exercise any portion of the option. If a non-employee director optionee dies while serving on the Board of Directors, any unvested portion of the option as of the date of death shall be vested as of the date of death, and the option shall be exercisable in full by the heirs or legal representatives of the optionee for a period of 12 months following the date of death. In any event, options terminate and are no longer exercisable after 10 years from the date of the grant.



Other than as described above, all options granted to non-employee directors are subject to the same terms and conditions generally applicable to options granted to employees under the Stock Plan.

***Exercise of Options.*** The exercise price of options may be paid in cash, by certified check, by tender of stock of Greystone (valued at fair market value on the date immediately preceding the date of exercise), by surrender of a portion of the option, or by a combination of such means of payment. The prior consent of the Board of Directors is required in connection with the payment of the exercise price of options by tender of shares or surrender of a portion of the option, except that the consent of the Board of Directors is not required if the exercise price is paid by surrender of shares that have been owned by the optionee for more than six months prior to the date of exercise of the option or by a combination of cash and shares that have been owned for more than six months.

***Effect of Certain Corporate Transactions.*** In the event of any change in capitalization affecting the common stock of Greystone, such as a stock dividend, stock split, recapitalization, merger, consolidation, split-up, combination or exchange of shares or other form of reorganization, liquidation, or any other change affecting the common stock, proportionate adjustments will be made with respect to the aggregate number and type of securities for which options may be granted under the Stock Plan, the number and type of securities covered by each outstanding option, and the exercise price of outstanding options so that optionees will be entitled upon exercise of options to receive the same number and kind of stock, securities, cash, property or other consideration that the optionee would have received in connection with the change in capitalization if such option had been exercised immediately preceding such change in capitalization. The Board of Directors may also make such adjustments in the number of shares covered by, and the price or other value of any outstanding options in the event of a spin-off or other distribution, other than normal cash dividends, of company assets to shareholders. In addition, unless the Board of Directors expressly determines otherwise, in the event of a Change in Control (as defined in the Stock Plan) of Greystone, all outstanding options will become immediately and fully exercisable and optionees will be entitled to surrender, within 60 days following the Change in Control, unexercised options or portions of options in return for a cash payment equal to the difference between the aggregate exercise price of the surrendered options and the fair market value of the shares of common stock underlying the surrendered options.

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

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

As of May 31, 2016, Greystone had one equity incentive plan under which equity securities have been authorized for issuance to Greystone's directors, officers, employees and other persons who perform substantial services for or on behalf of Greystone. The following table provides certain information relating to such stock option plan during the year ended May 31, 2016:

**Equity Compensation Plan Information**

<b>Plan Category</b>	<b>(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>(b) Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
Equity compensation plans approved by security holders	675,000	\$ 0.12	-0-
Equity compensation plans not approved by security holders	-0-	N/A	-0-
Total	675,000	\$ 0.12	-0-

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

As of May 31, 2016, Greystone had 27,886,201 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, 2016, 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 named officers as a group:

Name and Address of Beneficial Owner	Shares of Common Stock		Percent of Class <sup>(2)</sup>	Shares of Senior Preferred Stock		Percent of Class	Voting Shares Beneficially Owned <sup>(4)</sup>	Percent of Total Voting Power
	Beneficially Owned <sup>(1)</sup>			Beneficially Owned <sup>(3)</sup>				
Warren F. Kruger Chairman, President and CEO 1613 East 15th Street Tulsa, OK 74120	9,898,563	(5) 33.35 %	25,000	50.00 %	9,773,563	31.31 %		
William W. Rahhal Chief Financial Officer 1613 East 15th Street Tulsa, OK 74120	307,883	(6) 1.10 %	-0-	-0-	245,383	0.79 %		
Robert B. Rosene, Jr. Director 1323 E. 71st Street, Suite 300 Tulsa, OK 74136	4,885,717	(7) 16.48 %	25,000	50.00 %	4,798,217	15.37 %		
Larry J. LeBarre Director 7518 Middlewood Street Houston, TX 77063	534,203	(8) 1.91 %	-0-	-0-	484,203	1.55 %		
William Pritchard 1437 S. Boulder Tulsa, OK 74119	2,007,503	(9) 7.18 %	-0-	-0-	1,920,003	6.15 %		
All Directors & Officers as a Group (4 persons)	15,626,366	(10) 49.54 %	50,000	100.00 %	15,301,366	49.01 %		

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 (1) 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.

The percentage ownership for each holder is calculated in accordance with the rules of the Commission, which (2) 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.

Each share of Senior Preferred Stock is convertible into approximately 66 2/3 shares of Greystone's common stock. (3) 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.

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 31,219,534.32 (4) 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.

The total includes: (i) 8,081,097 shares of common stock beneficially owned directly by Mr. Kruger; (ii) 19,000 shares held of record by Yorktown; (iii) 125,000 shares of common stock that Mr. Kruger directly has the right to (5) acquire in connection with options; (iv) 6,800 shares of common stock that Mr. Kruger holds as custodian for minor children; and (v) 1,666,666 shares that Mr. Kruger has the right to acquire upon conversion of the Senior Preferred Stock.

(6) The total includes: (i) 245,383 shares of common stock that Mr. Rahhal which owns as a joint tenant and (ii) 62,500 shares of common stock that Mr. Rahhal has the right to acquire in connection with options.

The total includes: (i) 3,083,451 shares of common stock beneficially owned directly by Mr. Rosene; (ii) 48,100 shares of common stock held of record by RMP Operating Co., (iii) 87,500 shares of common stock that Mr. (7) Rosene has the right to acquire with options; and (iv) 1,666,666 shares that Mr. Rosene has the right to acquire upon conversion of the Senior Preferred Stock.

(8) The total includes (i) 484,203 shares of common stock beneficially owned directly by Mr. LeBarre (ii) 50,000 shares of common stock that Mr. LeBarre has the right to acquire in connection with options.

The total includes: (i) 1,788,429 shares of common stock beneficially owned directly by Mr. Pritchard; (ii) 131,574 (9) shares held of record by Maritch Services, Inc. and (iii) 87,500 shares of common stock that Mr. Pritchard has the right to acquire with options.

The director and officer group includes each reporting person in the above table other than Mr. Pritchard. The total includes: (i) 11,968,034 shares of common stock; (ii) 325,000 shares of common stock issuable upon (10) exercise of vested stock options; (iii) 1,666,666 shares of common stock that Mr. Kruger has the right to acquire upon conversion of the Senior Preferred Stock; and (iv) 1,666,666 shares of common stock that Mr. Rosene has the right to acquire upon conversion of the Senior Preferred.

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

### **Transactions with Related Persons**

#### **General**

For information regarding loans from or to Warren Kruger, see “Transactions with Warren Kruger and Related Entities” under the heading “Liquidity and Capital Resources” in Item 7 of this Form10-K.

For information regarding an advance from Robert Rosene, see “Advances and Loans from Robert Rosene” under the heading “Liquidity and Capital Resources” in Item 7 of this Form 10-K.

For information regarding the loan 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 of which Warren F. Kruger, Greystone’s President and CEO, has a majority ownership interest and serves TriEnda as the non-executive Chairman of the Board. Greystone charges a tolling fee to TriEnda for blending and pelletizing plastic resin using TriEnda’s equipment and raw materials. Revenue from TriEnda totaled \$496,764 and \$220,962 in fiscal years 2016 and 2015, respectively. The account receivable from TriEnda at May 31, 2016 was \$82,274.

#### **Transactions with Green Plastic Pallets**

Green Plastic Pallet (“Green”) is an entity owned by James Kruger, a brother to Warren Kruger, Greystone’s President and CEO. Green purchased pallets from Greystone totaling \$295,362 and \$333,253 in fiscal years 2016 and 2015, respectively. At May 31, 2016, Green owed \$73,440 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., a variable interest entity which is owned by Robert B. Rosene, Jr., a member of Greystone's board of director, and Warren Kruger, Greystone's President and CEO and a member of Greystone's board of directors. Rental payments are \$40,266 per month for both buildings.

Effective January 1, 2009, Greystone entered into a lease agreement with an entity owned by Mr. Larry LeBarre, a member of Greystone's board of directors, to rent certain equipment to produce mid-duty pallets with a minimum monthly commitment of \$25,000. The lease, as amended, terminated as of September 30, 2015. Lease payments were \$75,000 and \$300,000 for fiscal years 2016 and 2015, respectively.

**Director Independence**

Greystone has determined that Messrs. LeBarre 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 Accounting 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, 2016 and May 31, 2015:

Fee Category	Fiscal 2016 Fees	Fiscal 2015 Fees
Audit Fees(1)	\$ 140,000	\$ 143,000
Audit-Related Fees	0	0
Tax Fees	0	0
All Other Fees	0	0

Total Fees	\$140,000	\$143,000
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(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, 2016 and May 31, 2015, 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



Exhibit No.	Description
2.1	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).
2.2	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).
3.1	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).
3.2	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).
4.1	Certificate of Incorporation of PalWeb Oklahoma Corporation filed with the Oklahoma Secretary of State on May 2, 2002 (included in Exhibit 3.1).
4.2	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).
4.3	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).
10.1**	Amended and Restated Stock Option Plan (incorporated herein by reference to Exhibit 10.32 of Greystone's Form 10-KSB for the Fiscal Year Ended May 31, 2002, which was filed with the SEC on September 13, 2002).
10.2**	Form of Non-Qualified Stock Option Agreement (incorporated herein by reference to Exhibit 99.8 of Greystone's Form 10-KSB for the Fiscal Year Ended May 31, 2001, which was filed with the SEC on September 13, 2001).
10.3**	Form of Incentive Stock Option Agreement (incorporated herein by reference to Exhibit 99.9 of Greystone's Form 10-KSB for the Fiscal Year Ended May 31, 2001, which was filed with the SEC on September 13, 2001).
10.4**	Form of Nonemployee Director Stock Option Agreement (incorporated herein by reference to Exhibit 99.10 of Greystone's Form 10-KSB for the Fiscal Year Ended May 31, 2001, which was filed with the SEC on September 13, 2001).
10.5 **	

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Form of Employee Director Incentive Stock Option Agreement (incorporated herein by reference to Exhibit 10.36 of Greystone's Form 10-KSB for the Fiscal Year Ended May 31, 2002, which was filed with the SEC on September 13, 2002).

10.6 Loan Agreement dated January 31, 2014, 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 February 5, 2014).

10.7 Promissory Note (Revolving Loan) dated January 31, 2014, made by Greystone Logistics, Inc. and Greystone Manufacturing, L.L.C. in favor of International Bank of Commerce (incorporated herein by reference to Exhibit 10.2 of Greystone's Form 8-K filed on February 5, 2014).

10.8 Promissory Note (Equipment Term Loan) dated January 31, 2014, made by Greystone Logistics, Inc. and Greystone Manufacturing, L.L.C. in favor of International Bank of Commerce (incorporated herein by reference to Exhibit 10.3 of Greystone's Form 8-K filed on February 5, 2014).

10.9 Industrial Lease dated as of July 1, 2004, by and between Greystone Properties, LLC, and Greystone Manufacturing, L.L.C. (incorporated herein by reference to Exhibit 10.1 of Greystone's Form 10-QSB for the Quarterly Period Ended February 28, 2005, which was filed with the SEC on April 20, 2005).

10.10 Promissory Note dated as of December 15, 2005 in the amount of \$2,066,000 issued by Greystone Logistics, Inc. and Greystone Manufacturing, L.L.C. to Robert B. Rosene, Jr. (incorporated herein by reference to Exhibit 10.2 of Greystone's Form 10-QSB for the Quarterly Period Ended November 30, 2005, which was filed with the SEC on January 17, 2006).

- 10.11 Security Agreement dated as of December 15, 2005 by and between Greystone Logistics, Inc. and Greystone Manufacturing, L.L.C. and Robert B. Rosene, Jr. relating to Promissory Note in the amount of \$2,066,000 (incorporated herein by reference to Exhibit 10.5 of Greystone's Form 10-QSB for the Quarterly Period Ended November 30, 2005, which was filed with the SEC on January 17, 2006).
- 10.12 Real Property Sale and Lease Agreement between Greystone Manufacturing, L.L.C. and Greystone Real Estate, L.L.C., dated January 18, 2011 (incorporated herein by reference to Exhibit 10.1 of Greystone's Form 10-Q for the period ended February 28, 2011, which was filed on April 19, 2011).
- 10.13 Bill of Sale and Assignment dated January 31, 2014, among Yorktown Management and Financial Services, L.L.C., Greystone Manufacturing, L.L.C., Greystone Logistics, Inc. and Warren F. Kruger (incorporated herein by reference to Exhibit 10.4 of Greystone's Form 8-K filed on February 5, 2014).
- 10.14\*\* Amendment to Greystone's Amended and Restated Stock Option Plan (incorporated herein by reference to Exhibit 10.25 to Greystone's Form 10-K filed on September 14, 2012).
- 10.15 Asset Purchase Agreement and Bill of Sale dated as of February 29, 2016, by and between Greystone Manufacturing, L.L.C. and Yorktown Management and Financial Services, L.L.C. (submitted herewith).
- 21.1 Subsidiaries of Greystone Logistics, Inc. (submitted herewith).
- 23.1 Consent of HoganTaylor LLP (submitted herewith).
- 31.1 Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (submitted herewith).
- 31.2 Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (submitted herewith).
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (submitted herewith).
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (submitted herewith).
- 101 Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets at May 31, 2016 and 2015, (ii) the Consolidated Statements of Operations for the years ended May 31, 2016 and 2015, (iii) the Consolidated Statements of Changes in Deficit for the years ended May 31, 2016 and 2015, (iv) the Consolidated Statements of Cash Flows for the years ended May 31, 2016 and 2015, and (v) the Notes to Consolidated Financial Statements.

\*\* Management contract or compensatory plan or arrangement required to be filed as an exhibit to this report.



**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 29, 2016 /s/ *Warren F. Kruger*  
Warren F. Kruger  
Director, President and Chief Executive Officer

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 29, 2016 /s/ *Warren F. Kruger*  
Warren F. Kruger  
Director, President and Chief Executive Officer  
(Principal Executive Officer)

Date: August 29, 2016 /s/ *Robert B. Rosene, Jr.*  
Robert B. Rosene, Jr., Director

Date: August 29, 2016 /s/ *Larry J. LeBarre*  
Larry J. LeBarre, Director

Date: August 29, 2016 /s/ *William W. Rahhal*  
William W. Rahhal, Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

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

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of

Greystone Logistics, Inc.

We have audited the accompanying consolidated balance sheets of Greystone Logistics, Inc. and subsidiaries as of May 31, 2016 and 2015, and the related consolidated statements of income, changes in deficit, and cash flows for the years then ended. 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 conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Greystone Logistics, Inc. and subsidiaries as of May 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

*/s/ HoganTaylor LLP*

Tulsa, Oklahoma

August 29, 2016

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

	May 31, 2016	2015
Assets		
Current Assets:		
Cash	\$897,377	\$598,887
Accounts receivable - Trade, net of allowance for doubtful accounts of \$13,260	3,536,574	1,453,416
Related party receivables	150,113	519,659
Inventory	1,304,495	1,429,344
Prepaid expenses	70,058	20,249
Total Current Assets	5,958,617	4,021,555
Property, Plant and Equipment, net of accumulated depreciation	12,565,319	8,509,315
Deferred Tax Asset	1,283,682	1,779,237
Other Assets	92,590	129,634
Total Assets	\$19,900,208	\$14,439,741
Liabilities and Deficit		
Current Liabilities:		
Current portion of long-term debt	\$2,088,327	\$2,278,164
Accounts payable and accrued expenses	2,642,112	798,470
Accrued expenses - related parties	2,475,690	2,143,275
Preferred dividends payable	60,005	54,315
Total Current Liabilities	7,266,134	5,274,224
Long-Term Debt, net of current portion	13,358,421	10,300,847
Deficit:		
Preferred stock, \$0.0001 par value, cumulative, 20,750,000 shares authorized, 50,000 shares issued and outstanding, liquidation preference of \$5,000,000	5	5
Common stock, \$0.0001 par value, 5,000,000,000 shares authorized, 27,886,201 and 27,411,201 shares issued and outstanding, respectively	2,789	2,741
Additional paid-in capital	53,613,811	53,503,435
Accumulated deficit	(55,385,912)	(55,657,638)
Total Greystone Stockholders' Deficit	(1,769,307 )	(2,151,457 )
Non-controlling interest	1,044,960	1,016,127
Total Deficit	(724,347 )	(1,135,330 )
Total Liabilities and Deficit	\$19,900,208	\$14,439,741



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

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

	For the Year Ended May	
	31,	
	2016	2015
Sales	\$26,340,405	\$22,293,922
Cost of Sales	21,591,039	18,269,192
Gross Profit	4,749,366	4,024,730
General, Selling and Administrative Expenses	2,555,249	2,168,762
Operating Income	2,194,117	1,855,968
Other Income (Expense):		
Other income	-	2,500
Interest expense	(862,428 )	(818,136 )
Total Other Expense, net	(862,428 )	(815,636 )
Income before Income Taxes	1,331,689	1,040,332
Provision for Income Taxes	(495,555 )	(430,763 )
Net Income	836,134	609,569
Income Attributable to Variable Interest Entity	(232,833 )	(227,004 )
Preferred Dividends	(331,575 )	(325,000 )
Net Income Attributable to Common Stockholders	\$271,726	\$57,565
Income Per Share of Common Stock - Basic and Diluted	\$0.01	\$0.00
Weighted Average Shares of Common Stock Outstanding - Basic	27,701,911	26,975,312
Diluted	28,042,200	27,771,466

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

## Greystone Logistics, Inc. and Subsidiaries

## Consolidated Statements of Changes in Deficit

	Preferred Stock		Common Stock		Additional		Total Greystone	Non-	Total
	Shares	Amount	Shares	Amount	Paid-in Capital	Accumulated Deficit	Stockholders' Deficit	Controlling Interest	Deficit
Balances, May 31, 2014	50,000	\$5	26,461,201	\$2,646	\$53,336,106	\$(55,715,203)	\$(2,376,446)	\$993,123	(1,383,323)
Common stock options exercised	-	-	950,000	95	113,905	-	114,000	-	114,000
Stock based compensation	-	-	-	-	53,424	-	53,424	-	53,424
Cash distributions	-	-	-	-	-	-	-	(204,000 )	(204,000 )
Preferred dividends	-	-	-	-	-	(325,000 )	(325,000 )	-	(325,000 )
Net income	-	-	-	-	-	382,565	382,565	227,004	609,569
Balances, May 31, 2015	50,000	5	27,411,201	2,741	53,503,435	(55,657,638)	(2,151,457)	1,016,127	(1,135,330)
Common stock options exercised	-	-	475,000	48	56,952	-	57,000	-	57,000
Stock based compensation	-	-	-	-	53,424	-	53,424	-	53,424
Cash distributions	-	-	-	-	-	-	-	(204,000 )	(204,000 )
Preferred dividends	-	-	-	-	-	(331,575 )	(331,575 )	-	(331,575 )
Net income	-	-	-	-	-	603,301	603,301	232,833	836,134
Balances, May 31, 2016	50,000	\$5	27,886,201	\$2,789	\$53,613,811	\$(55,385,912)	\$(1,769,307)	\$1,044,960	\$(724,347 )

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

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

	For the Year Ended May 31,	
	2016	2015
Cash Flows from Operating Activities:		
Net income	\$836,134	\$609,569
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation and amortization	1,555,283	1,431,823
Decrease in deferred tax asset	495,555	430,763
Stock based compensation	53,424	53,424
Changes in trade accounts receivable	(2,083,158)	501,236
Changes in related party receivables	(80,023 )	(306,243 )
Changes in inventory	124,849	186,821
Changes in prepaid expenses and other	(50,009 )	76,921
Changes in accounts payable and accrued expenses	2,063,010	323,155
Net cash provided by operating activities	2,915,065	3,307,469
Cash Flows from Investing Activities:		
Purchase of property and equipment	(4,323,131)	(991,950 )
Cash Flows from Financing Activities:		
Proceeds from long-term debt	2,530,072	-
Proceeds from revolving loan	1,675,000	850,000
Payments on long-term debt and capitalized lease	(1,725,631)	(1,904,607)
Payments on revolving loan	(300,000 )	(935,000 )
Proceeds from exercised stock options	57,000	114,000
Dividends paid on preferred stock	(325,885 )	(298,288 )
Dividends paid by variable interest entity	(204,000 )	(204,000 )
Net cash provided by (used in) financing activities	1,706,556	(2,377,895)
Net Increase (Decrease) in Cash	298,490	(62,376 )
Cash, beginning of year	598,887	661,263
Cash, end of year	\$897,377	\$598,887

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

## Notes to Consolidated Financial Statements

May 31, 2016 and 2015

### 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 manufacture 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.

Greystone consolidates its VIE, Greystone Real Estate, L.L.C. (“GRE”), which owns the manufacturing facilities which are occupied by Greystone. GRE is owned by Warren F. Kruger, President and CEO, and Robert B. Rosene, Jr., a member of Greystone’s board of directors.

#### Use of Estimates

The preparation of Greystone’s 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 financial statements and accompanying notes. Actual results could differ materially from those estimates.

#### Accounts Receivable and Allowance for Doubtful Accounts

Greystone carries its accounts receivable at their face value less an allowance for doubtful accounts. On a periodic basis, Greystone evaluates its accounts receivable and establishes an allowance for doubtful accounts based on a combination of specific customer circumstances, credit conditions and history of collections. Based on periodic reviews of outstanding accounts receivable, Greystone writes off balances deemed to be uncollectible against the allowance for doubtful accounts.

Inventory

Inventory consists of finished pallets and raw materials and is stated at the lower of average cost or market 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	5-10 years
Leasehold improvements	5-7 years
Furniture & fixtures	3-5 years

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 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.

Other Assets

Other assets includes certain intangible costs as follows:

- (1) Patents on the modular pallet system and accessories which are being amortized using the straight-line method over the estimated useful life of 15 years.
- (2) Debt issue costs which are being amortized over the term of the underlying note payable or five years.

Stock Options

The grant-date fair value of 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 valuation 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 valuation models require the input of highly subjective assumptions including the expected stock price volatility, dividend yields and expected holding periods.

Recognition of Revenues

Greystone's sales agreements to customers other than its primary customer generally provide for risk of loss to pass to the customers upon shipment from Greystone's plant in Bettendorf, Iowa. Revenue is recognized for these customers at the date of shipment.

Greystone's agreement with its major customer provides that (1) risk of loss or damages for product in transit remain with Greystone and (2) the product is subject to approval and acceptance at the buyer's premises. Accordingly, Greystone recognizes revenue when product has been delivered to the customer's sites and risk of loss has passed to the customer.

For sales to all customers, cost of goods sold is recognized when the related revenue is recognized.



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.

Effective May 31, 2016, Greystone early adopted Accounting Standards Update 2015-17, *Income Taxes: Balance Sheet Classification of Deferred Taxes*, for which Greystone classified all deferred tax assets and liabilities as noncurrent. Accordingly, Greystone retrospectively applied the guidance and reclassified as non-current the amount of \$1,222,110 as of May 31, 2015 which was previously reported as current portion.

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, preferred stock dividends are deducted from net income for the year. For fiscal years 2016 and 2015, convertible preferred stock is not considered as its effect is antidilutive.

The following securities were not included in the computation of diluted earnings per share for the fiscal years ended May 31, 2016 and 2015 as their effect would have been antidilutive:

	2016	2015
Convertible preferred stock	3,333,333	3,333,333

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, “*Revenue from Contracts with Customers*” (“ASU 2014-09”) which creates a comprehensive set of guidelines for the recognition of revenue under the principle: “Recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.” The requirements of ASU 2014-09 will require either retrospective application to each prior period presented or retrospective application with the cumulative effect of initially applying the standard recognized at the date of adoption. Greystone is currently evaluating the impact this ASU will have on our financial position and results of operations. On July 9, 2015, FASB voted to approve a one-year deferral of the effective date such that the effective date for Greystone’s interim and annual periods begins June 1, 2018.

On April 7, 2015, the FASB issued Accounting Standard Update 2015-03, “*Simplifying the Presentation of Debt Issuance Costs*” (“ASU 2015-03”) which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. The requirement of ASU 2015-03 is effective for fiscal years beginning after December 15, 2015. Greystone does not believe that the impact of this ASU will have a material impact on our financial position and results of operations.

On August 18, 2015, the FASB issued ASU 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements – Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting*, which adds to the *FASB Accounting Standards Codification*<sup>®</sup> SEC paragraphs pursuant to the SEC staff announcement at the June 18, 2015 Emerging Issues Task Force (EITF) meeting about the presentation and subsequent measurement of debt issuance costs associated with line-of-credit (LOC) arrangements. Specifically, the ASU states that the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing deferred debt issuance costs ratably over the term of the LOC arrangement, regardless of whether there are outstanding borrowings under that LOC arrangement.

In February 2016, the FASB issued Accounting Standards 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting about leasing transactions. The ASU will require organizations (“lessees”) that lease assets with lease terms of more than twelve months to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. Organizations that own the assets leased by lessees (“lessors”) will remain largely

unchanged from current GAAP. In addition, the ASU will require disclosures to help investors and other financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. The effective date of this ASU is for fiscal years beginning after December 31, 2018 and interim periods within that year. Greystone is currently reviewing the ASU to assess the potential impact on the consolidated financial statements.

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

**Note 2. INVENTORY**

Inventory consists of the following as of May 31:

	2016	2015
Raw materials	\$536,350	\$665,702
Finished pallets	768,145	763,642
Total Inventory	\$1,304,495	\$1,429,344

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**Note 3. PROPERTY, PLANT AND EQUIPMENT**

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

	2016	2015
Production machinery and equipment	\$18,616,603	\$13,120,285
Plant buildings and land	4,663,339	4,663,339
Leasehold improvements	198,568	198,568
Furniture and fixtures	168,005	90,280
	23,646,515	18,072,472
Less: Accumulated depreciation	(11,081,196)	(9,563,157)
Net Property, Plant and Equipment	\$12,565,319	\$8,509,315

Production machinery and equipment includes equipment in the amount of \$510,827 that had not been placed into service as of May 31, 2016. The plant buildings and land are owned by GRE, a VIE, and have a net book value of \$3,244,165 at May 31, 2016.

Depreciation expense for the years ended May 31, 2016 and 2015 is \$1,518,039 and \$1,398,269, respectively.

**Note 4. OTHER ASSETS**

Other assets consist of the following as of May 31:

	2016	2015
Patents	\$190,739	\$190,739
Debt issue costs	129,722	129,722
Accumulated amortization	(228,071)	(190,827)
Other	200	-
Total Other Assets	\$92,590	\$129,634

Amortization of intangibles was \$37,244 and \$33,554 for 2016 and 2015, respectively. Future amortization for the next five years will be \$36,467, \$35,982, \$19,941, \$-0- and \$-0-.

**Note 5. LONG-TERM DEBT**

Long-term debt consists of the following as of May 31:

	2016	2015
Term note A payable to International Bank of Commence, prime rate of interest plus 0.5% but not less than 4.0%, maturing January 7, 2019	\$5,310,179	\$-
Term note B payable to International Bank of Commence, prime rate of interest plus 0.5% but not less than 4.0%, maturing January 7, 2019	2,688,659	-
Term note payable to International Bank of Commerce, interest rate of 4.5%, refinanced January 7, 2016	-	6,945,884
Revolving note payable to International Bank of Commerce, prime rate of interest plus 0.5% but not less than 4.0%, due January 31, 2018	1,675,000	300,000
Term note payable by GRE to International Bank of Commerce, interest rate of 4.5%, monthly principal and interest payments of \$26,215, due January 31, 2019	3,021,734	3,207,553
Note payable to Robert Rosene, 7.5% interest, due January 15, 2018	2,066,000	2,066,000
Note payable to Yorktown Management & Financial Services, LLC, 5.0% interest, due February 28, 2019, monthly principal and interest payments of \$20,629	634,616	-
Other	50,560	59,574
	15,446,748	12,579,011
Less: Current portion	(2,088,327 )	(2,278,164 )
Long-term debt	\$ 13,358,421	\$ 10,300,847

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The prime rate of interest as of May 31, 2016 was 3.5%.

Loan Agreement between Greystone and International Bank of Commerce (“IBC”)

On January 31, 2014, Greystone and GSM (the “Borrowers”) and International Bank of Commerce (“IBC”) entered into a Loan Agreement (the “IBC Loan Agreement”). The IBC Loan Agreement provides for a revolving loan in an aggregate principal amount of up to \$2,500,000 (the “Revolving Loan”) and a term loan in the aggregate principal amount of \$9,200,000 (the “Term Loan”). The exact amount which can be borrowed under the Revolving Loan from time to time is dependent upon the amount of the borrowing base, but can in no event exceed \$2,500,000. On January 7, 2016, the Borrowers and IBC entered into the First Amendment to the IBC Loan Agreement (the “First Amendment”) whereby IBC made an additional term loan to Borrowers in the original principal amount of \$2,530,072 (the “New Equipment Loan”). The New Equipment Loan and \$2,917,422 of the principal amount outstanding on the Term Loan were consolidated into a new loan in the combined principal amount of \$5,447,504 (the “Term Loan A”). The Term Loan’s remaining principal balance of \$3,000,000 was deemed to be a separate term loan (the “Term Loan B”). The additional proceeds of \$2,530,072 that were provided by the First Amendment were principally used to acquire new production equipment.

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

The Revolving Loan bears interest at the New York Prime Rate plus 0.5% but not less than 4.0%. The First Amendment extended the maturity date of the Revolving Loan to January 31, 2018. The Borrowers are required to pay all interest accrued on the outstanding principal balance of the Revolving Loan on a monthly basis. Any principal on the Revolving Loan that is prepaid by the Borrowers does not reduce the original amount available to the Borrowers. The proceeds from the Revolving Loan are used for general working capital purposes.

The IBC Loan Agreement includes customary representations and warranties and affirmative and negative covenants which include (i) requiring the Borrowers to maintain a debt service coverage ratio of 1:25 to 1:00 and a funded debt to EBIDA ratio not exceeding 3:00 to 1:00, (ii) subject to certain exceptions, limiting the Borrowers’ combined capital expenditures on fixed assets to \$1,000,000 per year, (iii) prohibiting Greystone, without IBC’s prior written consent, from declaring or paying any dividends, redemptions of stock or membership interests, distributions and withdrawals (as applicable) in respect of its capital stock or any other equity interest, other than additional payments to holders of its preferred stock in an amount not to exceed \$500,000 in any fiscal year, (iv) subject to certain exceptions, prohibiting the incurrence of additional indebtedness by the Borrowers, and (v) requiring the Borrowers to prevent (A) any change in capital ownership such that there is a material change in the direct or indirect ownership of (1)

Greystone's outstanding preferred stock, and (2) any equity interest in GSM, or (B) Warren Kruger from ceasing to be actively involved in the management of Greystone as President and/or Chief Executive Officer. The foregoing list of covenants is not exhaustive and there are several other covenants contained in the IBC Loan Agreement.

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Greystone's debt service coverage ratio at May 31, 2016 was 0.96 which is not in compliance with the IBC Loan Agreement's minimum debt service coverage ratio of 1.25. Greystone has received a waiver from IBC for the instance of non-compliance.

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

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

#### *Loan Agreement between GRE and IBC*

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

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

Effective December 15, 2005, Greystone entered into an agreement with Robert B. Rosene, Jr., a member of Greystone's board of directors, to convert \$2,066,000 of advances into a note payable at 7.5% interest. Mr. Rosene has waived payment of principal until January 15, 2018. Greystone accrued interest on the note and unpaid interest in the amounts of \$332,415 and \$307,276 for the years ended May 31, 2016 and 2015, respectively. Accrued interest due to Mr. Rosene at May 31, 2016 was \$2,475,690.



Effective June 1, 2016, the note payable to Mr. Rosene was restated (the "Restated Note") whereby the accrued interest was combined with the outstanding principal resulting in a note payable in the principal amount of \$4,541,690 with an interest rate of 7.5% and a maturity of January 15, 2018. The Restated Note requires the payment of accrued interest to Mr. Rosene. In addition, the Restated Note allows Greystone to make additional payments, at Greystone's discretion, up to an amount allowed by the IBC Loan Agreement.

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

On February 29, 2016, Greystone entered into an unsecured note payable to Yorktown in the amount of \$688,296 in connection with the acquisition of equipment from Yorktown as discussed in Note 6, Related Party Transactions. The note payable bears interest at the rate of 5% and is payable over three years with monthly principal and interest payments of \$20,629.

*Maturities*

Maturities of Greystone's long-term debt for the five years after May 31, 2016 are \$2,088,327, \$5,918,177, \$7,428,579, \$11,665 and \$-0-.

**Note 6. 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 in the manufacture of pallets. Greystone compensates Yorktown for the use of equipment as discussed below.

Yorktown previously owned a plastic grinding and wash line plastic recycling facility located in Sand Springs, Oklahoma. Effective June 1, 2015, Greystone assumed operations of the Sand Springs facility and made rental payments totaling \$105,000 to Yorktown for use of this equipment through February 29, 2016. On and effective February 29, 2016, GSM and Yorktown entered into an Asset Purchase Agreement and Bill of Sale (the “Bill of Sale”) providing for GSM’s acquisition of the equipment located at the facility for \$1,137,865. Payment consisted of an offset against the purchase price of \$449,569 which was an amount that Yorktown owed to GSM as of the date of the acquisition and a note payable in the amount of \$688,296 which Greystone issued to Yorktown payable over 36 months at 5% interest. GSM continued to operate within the facility by assuming the month-to-month rental of the facility with an unrelated party.

In fiscal year 2015, Greystone paid the labor on behalf of Yorktown’s Sand Springs, Oklahoma grinding operation and invoiced Yorktown for the cost. This procedure terminated June 1, 2015 when Greystone assumed operation of the Sand Springs plant as discussed herein.

*Rental fees.* GSM pays a weekly rental fees of \$22,500 and \$5,000 to Yorktown for grinding equipment and pelletizing equipment, respectively. Total rental fees of approximately \$1,430,000 were paid in both fiscal years 2015 and 2015.

In addition, Yorktown provides office space for Greystone in Tulsa, Oklahoma at a monthly rental of \$2,200 (\$2,000 prior to April 1, 2015).

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

TriEnda Holdings, L.L.C. (“TriEnda”) is a manufacturer of plastic pallets, protective packing and dunnage utilizing thermoform processing of which Warren F. Kruger, Greystone’s President and CEO, has a majority ownership interest and serves TriEnda as the non-executive Chairman of the Board. Greystone charges a tolling fee for blending and pelletizing plastic resin using TriEnda’s equipment and raw materials. Revenue from TriEnda totaled \$496,764 and \$220,962 in fiscal years 2016 and 2015, respectively. The account receivable from TriEnda at May 31, 2016 was \$82,274.

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

Greystone accrued interest in the amounts of \$332,415 and \$307,276 in fiscal years 2016 and 2015, respectively, on the promissory note dated December 15, 2005 payable to Mr. Rosene. Accumulated accrued interest due to Mr. Rosene at May 31, 2016 is \$2,475,690.

*Transactions with Larry J. LeBarre, Director*

Effective January 1, 2009, Greystone entered into a lease agreement with an entity owned by Mr. LeBarre to rent certain equipment to produce mid-duty pallets with a minimum monthly commitment of \$25,000. The lease terminated in September 30, 2015. Lease payments were \$75,000 and \$300,000 for fiscal years 2016 and 2015, respectively.

*Transactions with Green Plastic Pallets*

Green Plastic Pallet (“Green”) is an entity owned by James Kruger, a brother to Warren Kruger, Greystone’s President and CEO. Green purchased pallets from Greystone totaling \$295,362 and \$333,253 in fiscal years 2016 and 2015, respectively. At May 31, 2016, Green owed \$73,440 to Greystone.

**Note 7. FEDERAL INCOME TAXES**

Deferred taxes as of May 31 are as follows:

	2016	2015
Deferred tax asset:		
Net operating loss carryforward	\$2,288,919	\$1,892,673
Stock compensation costs	25,346	21,632
Allowance for doubtful accounts	4,508	4,508
Other	24,001	13,429
Total deferred tax asset	2,342,774	1,932,242
Deferred tax liability:		
Depreciation and amortization, tax reporting in excess of financial	(1,059,092)	(153,005 )
Net deferred tax asset	\$1,283,682	\$1,779,237

In assessing the reliability of deferred tax assets, management considers the likelihood of whether it is more likely than not the net deferred tax asset will be realized. Based on this evaluation, management has determined that Greystone will be able to realize the full effect of the deferred tax asset and no valuation allowance has been recorded as of May 31, 2016 and 2015, respectively.

The net change in deferred taxes for the year ended May 31, 2016 and 2015 is as follows:

	2016	2015
Net operating loss carryforward	\$396,246	\$(44,121 )
Depreciation and amortization, tax reporting in excess of financial	(906,087)	(372,843)
Stock compensation costs	3,714	(14,696 )
Allowance for doubtful accounts	-	(12,532 )
Other	10,572	13,429
Total	\$(495,555)	\$(430,763)

The provision for income taxes at May 31 consists of the following:

	2016	2015
Current income tax – Federal and State	\$-	\$-
Deferred income tax provision	495,555	430,763
Provision for income taxes	\$495,555	\$430,763

Greystone's provision for income taxes for the years ended May 31, 2016 and 2015 differs from the federal statutory rate as follows:

	2016	2015
Tax provision using statutory rates	34 %	34 %
Net operating loss expiration	6	7
Other	(3 )	1
Tax provision per financial statements	37 %	42 %

At May 31, 2016, Greystone had a net operating loss (NOL) for Federal income tax purposes from inception through May 31, 2005 of \$17,242,600 expiring in fiscal year 2016 through fiscal year 2025 of which \$2,025,000 is management's estimate of the usable amount pursuant to Internal Revenue Code Section 382. The limitation is due to a change in control of Greystone during the fiscal year ended May 31, 2005. The utilization of NOL's accumulated through fiscal year 2005 is limited to approximately \$225,000 per year.

	NOL Carryforward	Year Expiring
Cumulative through May 31, 2005	\$ 2,025,000	2016 - 2025
Year ended May 31, 2006	237,364	2026
Year ended May 31, 2007	2,151,837	2027
Year ended May 31, 2011	746,484	2031
Year ended May 31, 2015	352,719	2035
Year Ended May 31, 2016	1,346,555	2036

Greystone does not have any uncertain tax positions that could result in a material change to its financial position.

#### **Note 8. 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% 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 holder of the preferred stock has 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 must be fully paid before a dividend on the common stock may be paid.

#### **Note 9. STOCK OPTIONS**

Greystone has a stock option plan that provides for the granting of options to key employees and non-employee directors. The options are to purchase common stock at not less than fair market value at the date of the grant. Effective May 5, 2012, Greystone's board of directors approved the renewal and extension of Greystone's stock option plan through May 11, 2021 and increased the maximum number of shares of common stock for which options may be granted to 2,500,000 of which none were available for grant at May 31, 2016. Stock options generally expire in ten years from date of grant or upon termination of employment and are generally exercisable one year from date of grant in cumulative annual installments of 25%. Following is a summary of option activity for the two years ended May 31, 2016:

Number

		Weighted Average Exercise Price	Remaining Contractual Life (years)	Intrinsic Value
Total outstanding, May 31, 2014	2,100,000	\$ 0.12		
Exercised during fiscal year 2015	(950,000 )	\$ 0.12		
Total outstanding May 31, 2015	1,150,000	\$ 0.12	6.0	
Exercised during fiscal year 2016	(475,000 )	\$ 0.12		
Total outstanding May 31, 2016	675,000	\$ 0.12	6.0	
Exercisable as of May 31, 2016	150,000	\$ 0.12	6.0	\$21,000
Non-vested as of May 31, 2016	525,000	\$ 0.12	6.0	\$73,500

Share-based compensation cost was \$53,424 for fiscal years 2016 and 2015, respectively. As of May 31, 2016, there were no unrecognized compensation expenses related to non-vested share-based options.

On August 1, 2016, options to purchase 475,000 shares of common stock were exercised.

**Note 10. 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 balance sheet 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, 2016 and 2015, the carrying amounts reported in the balance sheet approximate fair value.

**Note 11. SUPPLEMENTAL INFORMATION OF CASH FLOWS**

Supplemental information of cash flows for the years ended May 31:

	2016	2015
Non-cash investing and financing activities:		
Acquisition of equipment through capital lease	\$-	\$64,497
Acquisition of equipment from related party in exchange for receivable and/or note payable	\$1,137,865	\$75,000
Acquisition of equipment in accounts payable	\$113,047	\$-
Preferred dividend accrual	\$5,690	\$26,712
Supplemental information:		
Interest paid	\$542,442	\$511,496

**Note 12. CONCENTRATIONS**

For the fiscal year ended May 31, 2016, Greystone had two customers that accounted for approximately 56% of total sales (41% and 15%, respectively). For the fiscal year ended May 31, 2015, one of Greystone's customers accounted for approximately 51% of total sales.

Greystone purchases damaged pallets from its customers at a price based on the value of the raw material content of the pallet. A majority of these purchases are from Greystone's major customer which were approximately \$1,605,000 and \$1,582,000 in fiscal years 2016 and 2015, respectively.

**Note 13. VARIABLE INTEREST ENTITIES (VIE)**

Greystone Real Estate, L.L.C.



GRE, is owned by Warren Kruger, President and CEO, and Robert Rosene, a member of the Board of Directors. GRE was created solely to own and lease one of the buildings that GSM occupies at 2600 Shoreline Drive, Bettendorf, Iowa. In fiscal year 2012, GRE purchased the second building occupied by Greystone, 2601 Shoreline Drive, Bettendorf, Iowa, in a sale and leaseback transaction with Greystone.

The buildings, having a carrying value of \$3,244,165 and \$3,360,037 at May 31, 2016 and 2015, respectively, serve as collateral for GRE's debt. The debt had a carrying value of \$3,021,734 and \$3,207,553 at May 31, 2016 and 2015, respectively.

**Note 14. COMMITMENTS**

At May 31, 2016, Greystone had commitments totaling \$169,829 for the acquisition of equipment.

**Note 15. SUBSEQUENT EVENT**

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

**Index to Exhibits**

<b>Exhibit No.</b>	<b>Description</b>
2.1	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).
2.2	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).
3.1	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).
3.2	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).
4.1	Certificate of Incorporation of PalWeb Oklahoma Corporation filed with the Oklahoma Secretary of State on May 2, 2002 (included in Exhibit 3.1).
4.2	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).
4.3	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).
10.1**	Amended and Restated Stock Option Plan (incorporated herein by reference to Exhibit 10.32 of Greystone's Form 10-KSB for the Fiscal Year Ended May 31, 2002, which was filed with the SEC on September 13, 2002).
10.2**	Form of Non-Qualified Stock Option Agreement (incorporated herein by reference to Exhibit 99.8 of Greystone's Form 10-KSB for the Fiscal Year Ended May 31, 2001, which was filed with the SEC on September 13, 2001).
10.3**	Form of Incentive Stock Option Agreement (incorporated herein by reference to Exhibit 99.9 of Greystone's Form 10-KSB for the Fiscal Year Ended May 31, 2001, which was filed with the SEC on September 13, 2001).

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- 10.4\*\* Form of Nonemployee Director Stock Option Agreement (incorporated herein by reference to Exhibit 99.10 of Greystone's Form 10-KSB for the Fiscal Year Ended May 31, 2001, which was filed with the SEC on September 13, 2001).
- 10.5 \*\* Form of Employee Director Incentive Stock Option Agreement (incorporated herein by reference to Exhibit 10.36 of Greystone's Form 10-KSB for the Fiscal Year Ended May 31, 2002, which was filed with the SEC on September 13, 2002).
- 10.6 Loan Agreement dated January 31, 2014, 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 February 5, 2014).
- 10.7 Promissory Note (Revolving Loan) dated January 31, 2014, made by Greystone Logistics, Inc. and Greystone Manufacturing, L.L.C. in favor of International Bank of Commerce (incorporated herein by reference to Exhibit 10.2 of Greystone's Form 8-K filed on February 5, 2014).
- 10.8 Promissory Note (Equipment Term Loan) dated January 31, 2014, made by Greystone Logistics, Inc. and Greystone Manufacturing, L.L.C. in favor of International Bank of Commerce (incorporated herein by reference to Exhibit 10.3 of Greystone's Form 8-K filed on February 5, 2014).
- 10.9 Industrial Lease dated as of July 1, 2004, by and between Greystone Properties, LLC, and Greystone Manufacturing, L.L.C. (incorporated herein by reference to Exhibit 10.1 of Greystone's Form 10-QSB for the Quarterly Period Ended February 28, 2005, which was filed with the SEC on April 20, 2005).
- 10.10 Promissory Note dated as of December 15, 2005 in the amount of \$2,066,000 issued by Greystone Logistics, Inc. and Greystone Manufacturing, L.L.C. to Robert B. Rosene, Jr. (incorporated herein by reference to Exhibit 10.2 of Greystone's Form 10-QSB for the Quarterly Period Ended November 30, 2005, which was filed with the SEC on January 17, 2006).
- 10.11 Security Agreement dated as of December 15, 2005 by and between Greystone Logistics, Inc. and Greystone Manufacturing, L.L.C. and Robert B. Rosene, Jr. relating to Promissory Note in the amount of \$2,066,000 (incorporated herein by reference to Exhibit 10.5 of Greystone's Form 10-QSB for the Quarterly Period Ended November 30, 2005, which was filed with the SEC on January 17, 2006).
- 10.12 Real Property Sale and Lease Agreement between Greystone Manufacturing, L.L.C. and Greystone Real Estate, L.L.C., dated January 18, 2011 (incorporated herein by reference to Exhibit 10.1 of Greystone's Form 10-Q for the period ended February 28, 2011, which was filed on April 19, 2011).
- 10.13 Bill of Sale and Assignment dated January 31, 2014, among Yorktown Management and Financial Services, L.L.C., Greystone Manufacturing, L.L.C., Greystone Logistics, Inc. and Warren F. Kruger (incorporated herein by reference to Exhibit 10.4 of Greystone's Form 8-K filed on February 5, 2014).
- 10.14\*\* Amendment to Greystone's Amended and Restated Stock Option Plan (incorporated herein by reference to Exhibit 10.25 to Greystone's Form 10-K filed on September 14, 2012).
- 10.15 Asset Purchase Agreement and Bill of Sale dated as of February 29, 2016, by and between Greystone Manufacturing, L.L.C. and Yorktown Management and Financial Services, L.L.C. (submitted herewith).
- 21.1 Subsidiaries of Greystone Logistics, Inc. (submitted herewith).

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- 23.1 Consent of HoganTaylor LLP (submitted herewith).
- 31.1 Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (submitted herewith).
- 31.2 Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (submitted herewith).
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (submitted herewith).
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (submitted herewith).
- 101 Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets at May 31, 2016 and 2015, (ii) the Consolidated Statements of Operations for the years ended May 31, 2016 and 2015, (iii) the Consolidated Statements of Changes in Deficit for the years ended May 31, 2016 and 2015, (iv) the Consolidated Statements of Cash Flows for the years ended May 31, 2016 and 2015, and (v) the Notes to Consolidated Financial Statements.

\*\* Management contract or compensatory plan or arrangement required to be filed as an exhibit to this report.

