GREYSTONE LOGISTICS, INC.
Form 10QSB/A
May 21, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB/A

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED FEBRUARY 28, 2007

[_] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT FOR THE TRANSITION PERIOD FROM ______ TO ________

Commission file number 000-26331

GREYSTONE LOGISTICS, INC.

(Exact name of small business issuer as specified in its charter)

OKLAHOMA	75-2954680
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1613 EAST 15TH STREET, TULSA, OKLAHOMA 74120

(Address of principal executive offices)

(918) 583-7441

(Issuer's telephone number)

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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 [X] No [_]

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

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: March 10, 2007 - 26,061,201

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT (CHECK ONE): Yes [_] No [X]

GREYSTONE LOGISTICS, INC.
FORM 10-QSB/A
FOR THE PERIOD ENDED FEBRUARY 28, 2007

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS PAGE

ITEM 1. FINANCIAL INFORMATION

Explanatory Note

This Form 10-QSB/A is being filed by Greystone Logistics, Inc. ("Greystone" or the "Company"), as Amendment No. 1 (the "Amendment") to the Company's Quarterly Report on Form 10-QSB for the period ended February 28, 2007 (the " Prior Form 10-QSB"), to amend and restate Part I, Item 1 of the Prior Form 10-QSB in its entirety because the cash and cash equivalents line item was inadvertently left off the Company's balance sheet during the edgarization process. The information contained herein has not been updated to reflect events or developments that may have occurred subsequent to February 28, 2007.

GREYSTONE LOGISTICS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	February 28, 2007
ASSETS	
CURRENT ASSETS:	
Cash	$ 82,837
Accounts receivable, net of allowance for doubtful accounts of $39,992 at February 28, 2007	151,860
Inventory	63,081

Prepaid expenses	31,117
TOTAL CURRENT ASSETS	328,895
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of $2,517,125 and $2,060,091 at February 28, 2007 and May 31, 2006, respectively	7,164,894
OTHER ASSETS	114,990
TOTAL ASSETS	$ 7,608,779

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

CURRENT LIABILITIES:	
Current portion of long-term debt	$ 3,192,348
Bank overdraft	--
Advances payable - related party	860,799
Accounts payable and accrued expenses:	
Third parties	1,787,800
Related party	508,247
Preferred dividends payable	942,301
TOTAL CURRENT LIABILITIES	7,291,495
LONG-TERM DEBT	9,946,663
DEFERRED INCOME	143,805
STOCKHOLDERS' DEFICIENCY:	
Preferred stock, $0.0001 par value, 20,750,000 shares authorized, 50,000 shares outstanding, liquidation preference of $5,000,000	5
Common stock, $0.0001 par value, 5,000,000,000 shares authorized, 26,061,201 and 24,061,201 outstanding, respectively	2,606
Additional paid-in capital	52,574,454
Deficit	(62,350,249)
TOTAL STOCKHOLDERS' DEFICIENCY	(9,773,184)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$ 7,608,779

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

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GREYSTONE LOGISTICS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations

	Nine Months Ended February 28,	
	2007	2006
Sales	$ 9,065,259	$ 11,237,737
Cost of Sales, including depreciation expense of $598,472 and $544,805	8,840,652	10,777,837

Gross Profit	224,607	459,900
Expenses:		
General, selling and administration expenses	1,368,902	1,733,876
Operating Loss	(1,144,295)	(1,273,976)
Other Income (Expense):		
Other income (expense)	(472,323)	81,107
Interest expense	(953,021)	(772,745)
Total Other Income (Expense)	(1,425,344)	(691,638)
Net Loss	(2,569,639)	(1,965,614)
Preferred Dividends	429,041	409,629
Net Loss Available to Common Stockholders	$ (2,998,680)	$ (2,375,243)
Loss Available to Common Stockholders Per Share of Common Stock - Basic and Diluted	$ (0.12)	$ (0.10)
Weighted Average Shares of Common Stock Outstanding	24,283,000	24,061,000

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

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GREYSTONE LOGISTICS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations

	Three Months Ended February 28,	
	2007	2006
Sales	$ 2,574,428	$ 4,122,947
Cost of Sales, including depreciation expense of $197,301 and $191,989	2,463,916	3,815,678
Gross Profit (Loss)	110,512	307,269
Expenses:		
General, selling and administration expenses	466,157	566,029
Operating Loss	(355,645)	(258,760)
Other Income (Expense):		
Other income (expense)	(474,536)	6,808

Interest expense	(348,140)	(266,775)
Total Other Income (Expense)	(822,676)	(259,967)
Net Loss	(1,178,321)	(518,727)
Preferred Dividends	141,781	130,029
Net Loss Available to Common Stockholders	$ (1,320,102)	$ (648,756)
Loss Available to Common Stockholders Per Share of Common Stock - Basic and Diluted	$ (0.05)	$ (0.03)
Weighted Average Shares of Common Stock Outstanding	24,728,000	24,061,000

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

	Nine Months Ended Feb	
	2007	
Cash Flows from Operating Activities:		
Net Loss	$ (2,569,639)	$ (
Adjustments to reconcile net loss to cash used in operating activities		
Depreciation and amortization	628,511	
Gain on sale of equipment and other assets	(71,472)	
Stock option compensation	196,060	
Loss on termination of long-term lease	619,061	
Changes in accounts receivable	690,515	
Changes in inventory	568,155	
Changes in prepaid expenses and other	(11,604)	
Changes in accounts payable and accrued expenses	(444,508)	
Net cash used in operating activities	(394,921)	
Cash Flows from Investing Activities:		
Purchase of property and equipment	(517,016)	(
Proceeds from sale of equipment	993,234	
Net cash provided by (used in) investing activities	476,218	(
Cash Flows from Financing Activities:		
Proceeds from notes and advances payable	355,603	
Payments on notes and advances payable	(211,060)	
Payment of bank overdraft	(143,928)	
Dividends paid on preferred stock	--	
Net cash provided by financing activities	615	

Net Increase (Decrease) in Cash	81,912	
Cash, beginning of period	925	
Cash, end of period	$ 82,837	$
Noncash activities:		
Sale of equipment in exchange for debt	$ --	$
Accrual of preferred dividends	429,041	
Issuance of common stock for termination of long-term lease	100,000	
Long-term payable for termination of long-term lease	519,061	
Supplemental Information:		
Interest paid	$ 820,599	$

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

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GREYSTONE LOGISTICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. In the opinion of Greystone, the accompanying unaudited consolidated financial statements contain all adjustments and reclassifications, which are of a normal recurring nature, necessary to present fairly its financial position as of February 28, 2007, and the results of its operations and its cash flows for the nine month and three month periods ended February 28, 2007 and 2006. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements as of and for the year ended May 31, 2006 and the notes thereto included in Greystone's Form 10-KSB. The financial statements have been prepared assuming that Greystone will continue as a going concern. The working capital deficit of $(6,962,600), a stockholders' deficiency of $(9,773,184) and continuing losses from operations at February 28, 2007 and its inability to obtain long term financing raises substantial doubt about Greystone's ability to continue as a going concern. The accompanying financial statements have been prepared assuming that Greystone will continue as a going concern and do not reflect the possible effects of any adjustments that might result from Greystone's inability to continue as a going concern.

2. The results of operations for the nine month and three month periods ended February 28, 2007 and 2006 are not necessarily indicative of the results to be expected for the full year.

3. The computation of loss per share is computed by dividing the loss available to common shareholders by the weighted average shares outstanding for the periods. Loss available to common shareholders is determined by adding preferred dividends for the periods to the net loss. For the nine month periods ended February 28, 2007 and 2006, the weighted average common shares outstanding for all periods is 24,283,000 and 24,061,000, respectively. For the three month periods ended February 28, 2007 and 2006, the weighted average common shares outstanding for all periods is 24,728,000 and 24,061,000, respectively. Convertible preferred stock, common stock options and warrants are not considered as their effect is antidilutive.

4. Inventory consists of the following:

	February 28,	May 31,

	2007	2006
Raw materials	$ --	$ 554,316
Finished goods	63,081	76,920
Total inventory	$ 63,081	$ 631,236

5. Effective February 1, 2007, Greystone agreed to issue 2,000,000 shares of its common stock and agreed to pay $24,000 per month for twenty-four months to 1607 Commerce LLC to terminate a long-term lease agreement on equipment. The present value of the series of $24,000 monthly payments at 8.5% interest or $519,060 and the value of the common stock on the effective date of issuance of $100,000 were recorded as a loss on the termination agreement of the long-term lease.

Also, effective February 1, 2007, Greystone issued a warrant to purchase up to 250,000 shares of common stock at $0.15 per share to an individual in consideration for providing certain financing and consulting services, which facilitated the sale of certain of Greystone's equipment to Yorktown Management, LLC, a company owned by Warren Kruger, Chairman and CEO. The warrants are valued at $8,500.

6. In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123(R), "Share-Based Payment." This statement is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation," and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and its related implementation guidance. SFAS No. 123(R) requires companies to recognize in the income statement the grant-date fair value of stock options and other equity-based compensation issued to employees and is effective for interim or annual periods beginning after December 15, 2005. The Company adopted SFAS No. 123(R) as of March 1, 2006, using the modified prospective transition method. Under the modified prospective transition method, awards that are granted, modified or settled after the date of adoption will be measured in accordance with SFAS No. 123(R). Unvested equity-classified awards that were granted prior to March 1, 2006 will be accounted for using the straight-line basis for recognizing compensation costs in accordance with SFAS No. 123, except that the amounts will be recognized in the Company's consolidated statements of operations. The effect of adopting SFAS No. 123(R) is a charge in the amount of $196,060 and $71,020, including $8,500 for the issuance of warrants as discussed in Note 5, to compensation expense for the nine month and three month periods ending February 28, 2007, respectively.

For the nine month and three month periods ended February 28, 2006, Greystone applied the intrinsic value-based method of accounting prescribed by Accounting Principles Board Opinion No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES, and related interpretations, in accounting for its stock options. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. There was no stock option cost during the nine month and three month periods ended February 28, 2006.

7. Effective as of February 1, 2007, GSM entered into a purchase agreement with Yorktown Management & Financial Services, LLC, an entity owned by Greystone's CEO and Chairman, pursuant to which Yorktown purchased from GSM existing finished goods inventory and certain raw materials for $1,018,582 and grinding and peripheral equipment, resin contracts and molds for $981,418. Greystone completed this transaction with Yorktown, in part, to alleviate the working capital requirements in maintaining raw material inventory, and will

purchase the raw material used in its production process at Yorktown's cost plus $0.03 per pound.

8. On February 8, 2007, Greystone entered into a settlement agreement with 1607 Commerce Limited Partnership ("1607"), pursuant to which in exchange for final settlement of all of 1607's claims under the PIPER 600 equipment lease and certain related guaranties, Greystone agreed to (i) make a one time payment to 1607 of $1,048,000, (ii) make monthly payments to 1607 of $24,000 for a term of 24 months commencing March 1, 2007, which payments can be used towards the purchase price of pallets purchased from 1607, (iii) transfer to 1607 2,000,000 shares of Greystone's common stock, and (iv) enter into an agreement with 1607 whereby, among other things, 1607 will be given floor space, utilities and regrind resin in Greystone's Iowa facility and Greystone

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and its subsidiaries will be required to purchase up to 200,000 Granada pallets at $8.00 per pallet and 200,000 nestable pallets at $3.00 per pallet from 1607 over a two year term. Also pursuant to the settlement agreement, the monthly payments to be made by Greystone will be credited against the purchase price of any Granada pallets purchased from 1607; provided, however, 1607 is not obligated to produce any pallets, but has agreed to use it best efforts to do so. For more information regarding these transactions, see Greystone's Current Report on Form 8-K, which was filed on February 27, 2007.

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PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

11.1 Computation of Loss per Share is in Note 3 in the Notes to the financial statements.

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-B, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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-B, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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.

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.

SIGNATURE

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GREYSTONE LOGISTICS, INC.

(Registrant)

Date: May 21, 2007

/s/ Warren F. Kruger

President and Chief Executive Officer