

GREYSTONE LOGISTICS, INC.

Form 10-Q

October 15, 2013

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

Form 10-Q

(Mark One)

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

EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED August 31, 2013

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

000-26331

Commission file number

GREYSTONE LOGISTICS, INC.

(Exact name of registrant as specified in its charter)

Oklahoma 75-2954680

(State or other (I.R.S.

jurisdiction Employer

of

incorporation Identification

or No.)

organization)

1613 East 15th

Street, Tulsa,

Oklahoma 74120

(Address of

principal executive

offices) (Zip Code)

(918) 583-7441

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the

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Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

Applicable only to corporate issuers:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: October 15, 2013 - 26,111,201

GREYSTONE LOGISTICS, INC.

FORM 10-Q  
For the Period Ended August 31, 2013

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## Item 1. Financial Statements.

Greystone Logistics, Inc. and Subsidiaries  
Consolidated Balance Sheets

	August 31, 2013 (Unaudited)	May 31, 2013
Assets		
Current Assets:		
Cash	\$717,879	\$366,896
Accounts receivable, net of allowance of \$100,000	2,312,881	2,239,594
Inventory	1,257,008	1,044,379
Prepaid expenses and other	220,942	119,198
Total Current Assets	4,508,710	3,770,067
Property, Plant and Equipment	16,200,616	15,754,959
Less: Accumulated Depreciation	(8,979,523 )	(8,710,820 )
Property, Plant and Equipment, net	7,221,093	7,044,139
Deferred Tax Asset	1,412,000	1,159,000
Other Assets	66,275	71,371
Total Assets	\$13,208,078	\$12,044,577
Liabilities and Deficit		
Current Liabilities:		
Current portion of long-term debt	\$1,347,424	\$1,344,160
Accounts payable and accrued expenses	1,603,309	1,643,339
Accounts payable and accrued expenses - related parties	1,620,926	1,551,154
Preferred dividends payable	1,826,486	1,883,959
Total Current Liabilities	6,398,145	6,422,612
Long-Term Debt, net of current portion	9,329,672	9,658,020
Deficit:		
Preferred stock, \$0.0001 par value, \$5,000,000 liquidation preference		
Shares authorized: 20,750,000		
Shares issued and outstanding: 50,000	5	5
Common stock, \$0.0001 par value		
Shares authorized: 5,000,000,000		
Shares issued and outstanding: 26,111,201	2,611	2,611
Additional paid-in capital	53,156,073	53,142,717
Accumulated deficit	(56,872,614)	(58,321,266)
Total Greystone Stockholders' Deficit	(3,713,925 )	(5,175,933 )
Non-controlling interests	1,194,186	1,139,878
Total Deficit	(2,519,739 )	(4,036,055 )
Total Liabilities and Deficit	\$13,208,078	\$12,044,577

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

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

Three Months Ended  
August 31,  
2013                  2012

Sales	\$6,510,917	\$7,128,866
Cost of Sales	4,365,545	5,604,017
Gross Profit	2,145,372	1,524,849
General, Selling and Administrative Expenses	596,313	558,639
Operating Income	1,549,059	966,210
Other Income (Expense):		
Other income (expense)	-	10,000
Interest expense	(201,181 )	(208,843 )
Total Other Expense, net	(201,181 )	(198,843 )
Income before Income Taxes	1,347,878	767,367
Benefit from Income Taxes	237,000	199,400
Net Income	1,584,878	966,767
Loss (Income) Attributable to Variable Interest Entities, net	(54,308 )	(51,954 )
Preferred Dividends	(81,918 )	(82,808 )
Net Income Available to Common Stockholders	\$1,448,652	\$832,005
Income Available to Common Stockholders:		
Per Share of Common Stock - Basic	\$0.06	\$0.03
Per Share of Common Stock - Diluted	\$0.05	\$0.03
Weighted Average Shares of Common Stock Outstanding -		
Basic	26,111,201	26,111,201
Diluted	27,565,047	26,955,766

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

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

	Three Months Ended August 31,	
	2013	2012
<b>Cash Flows from Operating Activities:</b>		
Net income	\$1,584,878	\$966,767
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	337,236	334,385
Deferred income taxes	(253,000 )	(208,900 )
Stock-based compensation	13,356	13,356
Changes in receivables	(178,178 )	329,111
Changes in inventory	(212,629 )	109,796
Changes in prepaid expenses and other	(101,744 )	(76,799 )
Change in other assets	1,834	2,290
Changes in accounts payable and accrued expenses	29,742	61,591
Net cash provided by operating activities	1,221,495	1,531,597
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	(510,928 )	(362,677 )
<b>Cash Flows from Financing Activities:</b>		
Payments on long-term debt and capitalized leases	(325,084 )	(320,077 )
Payments on advances from related party	(34,500 )	-
Distributions by variable interest entity	-	(22,782 )
Net cash used in financing activities	(359,584 )	(342,859 )
Net Increase in Cash	350,983	826,061
Cash, beginning of period	366,896	194,400
Cash, end of period	\$717,879	\$1,020,461
<b>Non-Cash Activities:</b>		
Preferred dividend accrual	\$81,918	\$82,808
<b>Supplemental Information:</b>		
Interest paid	85,689	108,431

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

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

Note 1. Basis of Financial Statements

In the opinion of Greystone Logistics, Inc. (“Greystone”), the accompanying unaudited consolidated financial statements contain all adjustments and reclassifications, which are of a normal recurring nature, necessary to present fairly its financial position as of August 31, 2013, and the results of its operations and its cash flows for the three-month periods ended August 31, 2013 and 2012. These consolidated financial statements should be read in conjunction with the consolidated financial statements as of and for the fiscal year ended May 31, 2013 and the notes thereto included in Greystone's Form 10-K for such period. The results of operations for the three-month periods ended August 31, 2013 and 2012 are not necessarily indicative of the results to be expected for the full fiscal year.

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

Note 2. Earnings Per Share

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

Greystone excludes equity instruments from the calculation of diluted earnings per share if the effect of including such instruments is anti-dilutive. Equity instruments which have been excluded are certain options to purchase common stock totaling 350,000 shares for the three months ended August 31, 2013 and 2012, respectively, and convertible preferred stock which is convertible into 3,333,334 shares of common stock for the three months ended August 31, 2013, and 2012.

The following table sets forth the computation of basic and diluted earnings per share for the three months ended August 31, 2013 and 2012:

	2013	2012
Numerator:		
Net income available to common shareholders	\$1,448,652	\$832,005
Denominator:		
Weighted-average shares outstanding:		
Basic	26,111,201	26,111,201
Incremental shares from assumed conversion of options	1,453,846	844,565
Diluted shares	27,565,047	26,955,766
Earnings per share:		
Basic	\$0.06	\$0.03
Diluted	\$0.05	\$0.03

### Note 3. Inventory

Inventory consists of the following:

	August 31, 2013	May 31, 2013
Raw materials	\$822,363	\$750,819
Finished goods	434,645	293,560
Total inventory	\$1,257,008	\$1,044,379

### Note 4. Related Party Receivable

Yorktown Management & Financial Services, LLC (“Yorktown”), an entity wholly owned by Greystone’s CEO and President, owns certain equipment that Greystone uses for its pallet and resin production. Prior to February 1, 2013, Greystone paid advances to Yorktown in recognition of the amounts owed pursuant to certain agreements for the purchase of raw materials on Greystone’s behalf and use of Yorktown equipment. While the agreements for the purchase of raw materials were terminated effective January 31, 2013, Greystone continues to pay Yorktown for the use of its equipment. Payments for equipment rentals totaled \$385,260 for the three months ended August 31, 2013. In addition, Greystone continues to pay the labor and certain other costs on behalf of Yorktown’s Tulsa, Oklahoma grinding operation and invoice Yorktown for the costs on a monthly basis.

As of August 31, 2013, net advances due from Yorktown totaled \$3,618,003 in connection with the relationship between Greystone and Yorktown described in the paragraph above. Mr. Kruger has agreed that, if necessary and as permitted under Greystone’s loan documentation, the amounts due Greystone could be offset against the amounts that Greystone owes him or Yorktown. The offset against the net advances as reflected in the consolidated balance sheet as of August 31, 2013, is the combination of (i) the accrued interest of \$875,091 payable to Mr. Kruger, (ii) advances payable to Mr. Kruger of \$442,180, (iii) an account payable of \$794,411 for deferred compensation payable to Mr. Kruger and (iv) preferred dividends of \$1,506,321 payable to Mr. Kruger.



Note 5. Notes Payable

Notes payable as of August 31, 2013 and May 31, 2013 are as follows:

	August 31, 2013	May 31, 2013
Note payable to F&M Bank & Trust Company, prime rate of interest but not less than 4.5%, due March 13, 2015, monthly principal payments of \$76,561 plus interest	\$4,363,968	\$4,593,650
Note payable by GRE to F&M Bank & Trust Company, prime rate of interest but not less than 4.75%, due February 15, 2016, monthly installments \$35,512, secured by buildings and land	3,299,868	