GREYSTONE LOGISTICS, INC.
Form 10QSB
January 14, 2008

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

FORM 10-QSB

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED NOVEMBER 30, 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: January 7, 2008 - 26,061,201

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

GREYSTONE LOGISTICS, INC.
FORM 10-QSB
FOR THE PERIOD ENDED NOVEMBER 30, 2007

PART I. FINANCIAL INFORMATION

GREYSTONE LOGISTICS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	NOVEMBER 30, 2007	MAY 31, 2007
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash	$ 265,282	$ 340,334
Accounts receivable	1,667,310	1,019,415
Inventory	498,191	237,769
Prepaid expenses	45,613	57,653
TOTAL CURRENT ASSETS	2,476,396	1,655,171
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of $3,029,359 and $2,707,489 at November 30, 2007 and May 31, 2007, respectively	6,860,406	7,037,764
OTHER ASSETS	129,122	127,140

TOTAL ASSETS	$ 9,465,924	$ 8,820,075

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

CURRENT LIABILITIES:		
Current portion of long-term debt	$ 8,504,525	$ 8,655,518
Advances payable - related party	618,959	618,959
Accounts payable and accrued expenses	1,408,434	959,532
Accounts payable and accrued expenses - related parties	3,081,021	2,903,087
Preferred dividends payable	1,371,848	1,088,808
TOTAL CURRENT LIABILITIES	14,984,787	14,225,904
LONG-TERM DEBT, net of current portion	4,027,263	4,297,427
DEFERRED INCOME	96,000	128,000
STOCKHOLDERS' DEFICIENCY:		
Preferred stock, $0.0001 par value, 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, 26,061,201 issued and outstanding	2,606	2,606
Additional paid-in capital	52,693,226	52,693,226
Accumulated deficit	(62,337,963)	(62,527,093
TOTAL STOCKHOLDERS' DEFICIENCY	(9,642,126)	(9,831,256
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$ 9,465,924	$ 8,820,075

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

GREYSTONE LOGISTICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	SIX MONTHS ENDED NOVEMBER 30	
	2007	2006
Sales	$ 10,843,275	$ 6,490,831
Cost of Sales	9,031,763	6,376,736
Gross Profit	1,811,512	114,095
General, Selling and Administration Expenses	780,358	902,745

Operating Income (Loss)	1,031,154	(788,650
Other Income (Expense):		
Other income	68,151	2,213
Interest expense	(627,135)	(604,881
Total Other Income (Expense)	(558,984)	(602,668
Net Income (Loss)	472,170	(1,391,318
Preferred Dividends	283,040	287,260
Net Income (Loss) Available to Common Stockholders	$ 189,130	$ (1,678,578
Income (Loss) Available to Common Stockholders		
Per Share of Common Stock - Basic	0.01	(0.07
Per Share of Common Stock - Diluted	$ 0.01	$ (0.07
Weighted Average Shares of Common Stock Outstanding		
Basic	26,061,000	24,061,000
Dilutive effect of warrants outstanding	94,000	--
Diluted	26,155,000	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 OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED NOVEMBER	
	2007	2006
Sales	$ 5,246,064	$ 2,609,6
Cost of Sales	4,305,280	2,875,8
Gross Profit (Loss)	940,784	(266,1
General, Selling and Administration Expenses	368,151	448,7
Operating Income (Loss)	572,633	(714,8
Other Income (Expense):		
Other income	16,000	
Interest expense	(293,067)	(275,0

Total Other Income (Expense)	(277,067)	(275,0
Net Income (Loss)	295,566	(989,9
Preferred Dividends	138,108	143,3
Net Income (Loss) Available to Common Stockholders	$ 157,458	$ (1,133,2
Income (Loss) Available to Common Stockholders		
Per Share of Common Stock - Basic	$ 0.01	$ (0.
Per Share of Common Stock - Diluted	$ 0.01	$ (0.
Weighted Average Shares of Common Stock Outstanding		
Basic	26,061,000	24,061,0
Dilutive effect of warrants outstanding	49,000	
Diluted	26,110,000	24,061,0

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
(UNAUDITED)

	SIX MONTHS ENDED NOVEMBER 30	
	2007	2006
Cash Flows from Operating Activities:		
Net income (loss)	$ 472,170	$ (1,391,318
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	326,657	419,950
Stock based compensation	--	125,040
Recognition of deferred income	(32,000)	--
Changes in accounts receivable	(647,895)	187,538
Changes in inventory	(260,422)	458,059
Changes in prepaid expenses and other	5,271	(18,890
Changes in accounts payable and accrued expenses	626,836	97,920
Net cash provided by (used in) operating activities	490,617	(121,701
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(144,512)	(379,873
NET CASH USED IN INVESTING ACTIVITIES	(144,512)	(379,873
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes and advances payable	--	896,515

Payments on notes and advances payable	(421,157)	(392,143
Net cash provided by (used in) financing activities	(421,157)	504,372
NET INCREASE (DECREASE) IN CASH	(75,052)	2,798
CASH, BEGINNING OF PERIOD	340,334	925
CASH, END OF PERIOD	$ 265,282	$ 3,723
NONCASH ACTIVITIES:		
Preferred dividend accrual	$ 283,040	$ 287,260
SUPPLEMENTAL INFORMATION:		
Interest paid	$ 507,985	$ 482,229

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

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GREYSTONE LOGISTICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. In the opinion of Greystone Logistics, Inc., the accompanying unaudited consolidated financial statements contain all adjustments and reclassifications, which are of a normal recurring nature, necessary to present fairly its financial position as of November 30, 2007, and the results of its operations and its cash flows for the six and three month periods ended November 30, 2007 and 2006. These consolidated financial statements should be read in conjunction with the consolidated financial statements as of and for the year ended May 31, 2007 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 $12,508,391, a stockholders' deficiency of $9,642,126 and Greystone's need to obtain additional long term financing, as necessary, 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 six and three month periods ended November 30, 2007 and 2006 are not necessarily indicative of the results to be expected for the full year.

3. Greystone calculates and discloses earnings per share (EPS) in accordance with Statement of Financial Accounting Standards No. 128, EARNINGS PER SHARE (SFAS 128). SFAS 128 requires dual presentation of Basic and Diluted EPS on the face of the statements of operations and requires a reconciliation of the numerator and denominator of the Basic EPS computation to the numerator and denominator of the Diluted EPS computation. Basic EPS excludes dilution and is computed by dividing income (loss) available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of

Greystone.

In computing Diluted EPS, only potential common shares that are dilutive--those that reduce earnings per share or increase loss per share--are included. Exercise of options and warrants or conversion of convertible securities is not assumed if the result would be antidilutive, such as when a loss from continuing operations is reported. The "control number" for determining whether including potential common shares in the Diluted EPS computation would be antidilutive is income from continuing operations. As a result, if there were a loss from continuing operations, Diluted EPS would be computed in the same manner as Basic EPS is computed, even if an entity has net income after adjusting for discontinued operations, an extraordinary item or the cumulative effect of an accounting change. As shown in the following table, the number of shares for calculating basic and Diluted EPS are the same manner due to the loss for the six and three month periods ended November 30, 2006, and there is a dilutive effect for calculating EPS as a result of income for the six and three month periods ended November 30, 2007.

	Six Months ended November 30,	
	2007	2006
	(Unaudited)	(Unaudited)
BASIC:		
Weighted average common shares outstanding	26,061,000	24,061,000
DILUTIVE EFFECT:		
Assumed exercise of warrants	250,000	--
Application of assumed proceeds toward repurchase of treasury stock	(156,000)	--
Net additional shares issuable	94,000	--
ADJUSTED COMMON SHARES OUTSTANDING FOR COMPUTING DILUTIVE EPS	26,155,000	24,061,000

	Three Months ended November 30,	
	2007	2006
	(Unaudited)	(Unaudited)
BASIC:		
Weighted average common shares outstanding	26,061,000	24,061,000
DILUTIVE EFFECT:		
Assumed exercise of warrants	250,000	--
Application of assumed proceeds toward repurchase of treasury stock	(201,000)	--
Net additional shares issuable	49,000	--
ADJUSTED COMMON SHARES OUTSTANDING FOR COMPUTING DILUTIVE EPS	26,110,000	24,061,000

4. Inventory consists of the following:

	November 30, 2007	May 31, 2007
	(Unaudited)	
Raw materials	$ 290,669	$ 66,832
Finished goods	207,522	170,937
Total inventory	$ 498,191	$ 237,769

5. Recent Accounting Pronouncements.

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES -- AN INTERPRETATION OF FASB

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STATEMENT NO. 109 (FIN 48). This interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, ACCOUNTING FOR INCOME TAXES. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Greystone adopted the provisions of this interpretation effective June 1, 2007. The adoption of FIN 48 did not have a material effect on Greystone's financial statements and related disclosures.

In September 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 157, FAIR VALUE MEASUREMENTS. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. The issuance of this standard is meant to increase consistency and comparability in fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. Greystone does not expect the adoption of SFAS 157 to have a material effect on its financial statements and related disclosures.

In February 2007, the FASB issued SFAS No. 159, THE FAIR VALUE OPTION FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES. SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value, and establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective for fiscal years beginning after November 15, 2007. Greystone does not expect the adoption of SFAS 159 to have a material effect on its financial statements and related disclosures.

In December 2007, the FASB issued SFAS No. 160, NONCONTROLLING INTERESTS IN CONSOLIDATED FINANCIAL STATEMENTs. SFAS 160 was issued to establish accounting and reporting standards for the noncontrolling interest in a subsidiary (formerly called minority interests) and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. Greystone does not expect the adoption of SFAS 160 to have a material effect on its financial statements and related disclosures.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), BUSINESS COMBINATIONS. SFAS 141R was issued to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. Greystone does not expect the adoption of SFAS 141R to have a material effect on its financial statements and related disclosures.

6. Accounts payable at May 31, 2007 have been reclassified between related parties and others for comparative purposes with the presentation as of November 30, 2007.

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7. Contingencies

A court action was filed by William Hamilton dba WHACO and dba Greystone Bill Hamilton Trucking against GSM alleging damages in the amount of $104,390 for breach of contract involving provision of materials and services. William Hamilton is an owner in Greystone Plastics, Inc. from whom GSM purchased certain manufacturing assets in 2003. GSM has denied all allegations and has asserted a counterclaim arising from the sale of manufacturing assets by Greystone Plastics, Inc. to GSM. The action is in the early stages of discovery and is being vigorously defended by GSM. However, GSM management cannot predict or guarantee the outcome of the action.

Excelsior Capital Marketing and Howell Mergers and Acquisitions, LLC v. 1607 Commerce Limited Partnership, Plastic Pallet Production, Inc. and Palweb Corporation. On October 5, 2006 Excelsior Capital Marketing and Howell Mergers and Acquisitions, LLC ("HMA") filed suit against 1607 Commerce Limited Partnership, Plastic Pallet Production, Inc. ("PPP") and Palweb HMA, under which PPP agreed to assign the insurance proceeds from Mt. Hawley to HMA if HMA repaired the damage to the real properly located at 1607 Commerce Street, Dallas, Texas (the "Building"). Plaintiffs allege that they allowed the Salvation Army to use the required repairs on the Building in exchange for being allowed by Plaintiffs to use the Building free of rent. Plaintiffs concede that they paid no rent on the Building during the period that they allowed the Salvation Army to use the Building. Plaintiffs also concede that, upon receiving the insurance checks from Mt. Hawley, Defendants endorsed the insurance checks over to Plaintiffs.

Plaintiffs allege claims for breach of contract, fraud, negligent misrepresentation, unjust enrichment, and civil conspiracy. Plaintiffs seeks actual damages in the amount of $267,487 which represent the amount of insurance proceeds paid by Mt. Hawley Insurance Company for damage done to the Building. Plaintiffs also seek punitive damage, attorneys' fees, and prejudgment and post-judgment interest. The case is set for trial on February 11, 2008, and discover and pretrial motion practice are ongoing. Defendants intend to vigorously defend against the claims asserted by Plaintiffs.

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ITEM 2. MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

RESULTS OF OPERATIONS

GENERAL TO ALL PERIODS

The unaudited consolidated financial statements include the accounts of Greystone Logistics, Inc. ("Greystone") and its wholly owned subsidiaries, Greystone Manufacturing, LLC ("GSM") and Plastic Pallet Production, Inc. ("PPP"). All material intercompany accounts and transactions have been eliminated upon consolidation.

Greystone has incurred significant losses from operations, and there is no assurance that it will continue to achieve profitability or obtain funds necessary to finance its operations.

References to fiscal year 2008 refer to the six and three month periods ended November 30, 2007. References to fiscal year 2007 refer to the six and three month periods ended November 30, 2006.

SALES

Greystone's primary business is the manufacturing and selling of plastic pallets, made from recycled plastic, through its wholly owned subsidiaries, GSM and PPP. Greystone sells its pallets through an exclusive distribution arrangement with Decade Products whereby Decade sells Greystone's pallets nationwide through direct sales and a network of independent contractor distributors. Greystone also sells its pallets and pallet leasing services to certain large customers direct through its President, Senior Vice President of Sales and Marketing and other employees.

Greystone currently derives substantially all of its revenue from two national brewers.

In addition, in July 2006, Greystone launched a beta test program involving the lease of a small pool of recycled plastic pallets by Greystone to a customer to be utilized by the customer to ship a portion of its manufactured products in a closed loop system. Pursuant to the agreement with the customer, Greystone delivers and tracks throughout the logistics cycle sufficient quantities of plastic pallets for use in shipping a segment of the customer's product. The pallets stay in a closed loop environment and are continually sent back for reuse. If a pallet is damaged, Greystone grinds the pallet and reutilizes the resin.

PERSONNEL

Greystone had approximately 75 full-time employees as of November 30, 2007 and 2006.

TAXES

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For all years presented, Greystone's effective tax rate is 0%. Greystone has generated substantial net operating losses which would normally reflect a tax benefit in the statement of operations and a deferred asset on the balance sheet. However, because of the current uncertainty as to Greystone's ability to achieve profitability, a valuation reserve has been established that offsets the amount of any tax benefit available for each period presented in the consolidated statements of operations.

Greystone adopted the provisions of FIN 48 (see Note 5 to the financial statements - Recent Accounting Pronouncements) on June 1, 2007. 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 pursuant to FIN 48. At June 1, 2007, Greystone had no unrecognized tax benefits.

SIX MONTH PERIOD ENDED NOVEMBER 30, 2007 COMPARED TO SIX MONTH PERIOD ENDED NOVEMBER 30, 2006

Sales for fiscal year 2008 were $10,843,275 compared to $6,490,831 in fiscal year 2007, for an increase of $4,352,444. The increase is due to the addition of new customers and increases in sales prices during the latter part of fiscal year 2007.

Cost of sales in fiscal year 2008 was $9,031,763, or 83% of sales, compared to $6,376,736, or 98% of sales, in fiscal year 2007. The improvement in the ratio of cost of sales to sales is principally due to a decrease in equipment rental as a result of the termination of the PIPER 600 lease in February 2007 and increases in sales prices.

General, selling and administrative expenses decreased $122,387 from $902,745 in fiscal year 2007 to $780,358 in fiscal year 2008. Greystone recorded stock option compensation costs of $62,520 during fiscal year 2007 and none in fiscal year 2008.

Interest expense increased $22,254 from $604,881 in fiscal year 2007 to $627,135 in fiscal year 2008.

Greystone reported net income of $472,170 in fiscal year 2008 compared to net loss of $(1,391,318) in fiscal year 2007 for the reasons discussed above.

After deducting preferred dividends, the net income available to common shareholders was $189,130, or $0.01 per share, in fiscal year 2008 compared to a net loss available to common shareholders of $(1,678,578), or $(0.07) per share, in fiscal year 2007 for the reasons discussed above.

THREE MONTH PERIOD ENDED NOVEMBER 30, 2007 COMPARED TO THREE MONTH PERIOD ENDED NOVEMBER 30, 2006

Sales for fiscal year 2008 were $5,246,064 compared to $2,609,697 in fiscal year 2007, for an increase of $2,636,367. The increase is due to the addition of new customers and increases in sales prices during the latter part of fiscal year 2007.

Cost of sales in fiscal year 2008 was $4,305,280, or 82% of sales, compared to $2,875,804, or 110% of sales, in fiscal year 2007. The improvement in the ratio of cost of sales to sales is principally due to a decrease in equipment rental as a result of the termination of the PIPER 600 lease in February 2007 and increases in sales prices.

General, selling and administrative expense decreased $80,614 from $448,765 in fiscal year 2007 to $368,151 in fiscal year 2008. Greystone recorded stock option compensation costs of $62,520 during fiscal year 2007 and none in fiscal year 2008.

Interest expense increased $17,975 from $275,092 in fiscal year 2007 to $293,067 in fiscal year 2008.

Greystone reported net income of $295,566 in fiscal year 2008 compared to net loss of $(989,940) in fiscal year 2007 for the reasons discussed above.

After deducting preferred dividends, the net income available to common shareholders was $157,458, or $0.01 per share, in fiscal year 2008 compared to a net loss available to common shareholders of $(1,133,296), or $(0.05) per share, in fiscal year 2007 for the reasons discussed above.

LIQUIDITY AND CAPITAL RESOURCES

Greystone's cash requirements for operating activities consist principally of accounts receivable, inventory, accounts payable, operating leases and scheduled payments of interest on outstanding indebtedness. Greystone is currently dependent on outside sources of cash to fund its operations. As of November 30, 2007, revenues from sales remain insufficient to meet current liabilities.

A summary of cash flows for the three months ended November 30, 2007 is as follows:

Cash provided by operating activities	$ 251,205
Cash used in investing activities	(144,512)
Cash used in financing activities	(181,745)

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The contractual obligations of Greystone are as follows:

	TOTAL	LESS THAN 1 YEAR	2-3 YEARS	4-5 YEARS	OVER 5 YEARS
Long-term debt	$12,531,788	$8,504,525	$2,707,828	$ 333,336	$ 986,099
Operating leases	1,825,200	280,800	561,600	561,600	421,200
Total	$14,356,988	$8,785,325	$3,269,428	$ 894,936	$1,407,299

To provide for the additional cash that will be necessary to meet Greystone's contractual obligations, Greystone continues to explore various options, as necessary, including the possibility of refinancing long-term debt and/or seeking additional equity financing. However, there is no guarantee that Greystone will be able to raise sufficient capital to meet these obligations.

Greystone has accumulated a working capital deficit of $12,508,391 at November 30, 2007, which includes current portion of long-term debt of $8,504,525 and $4,489,455 in accounts payable and accrued liabilities. The working capital deficit reflects the uncertain financial condition of Greystone resulting from its inability to obtain long-term financing until such time as it is able to maintain sufficient cash flows from operations to meet its contractual obligations. There is no assurance that Greystone will secure such financing or continue to achieve profitability.

Substantially all of the financing that Greystone has received through November 30, 2007, has been provided by loans or through 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 they will do so. As such, there is no assurance that funding will be available for Greystone to continue operations.

Greystone has 50,000 outstanding shares of cumulative 2003 Preferred Stock for a total of $5,000,000 with a preferred dividend rate of the prime rate of interest plus 3.25%. Greystone does not anticipate that it will make cash dividend payments to any holders of its preferred stock or its common stock unless and until the financial position of Greystone improves through increased revenues, another financing or otherwise.

FORWARD LOOKING STATEMENTS AND MATERIAL RISKS

This Quarterly Report on Form 10-QSB includes certain statements that may be deemed "forward-looking statements" within the meaning of federal securities laws. All statements, other than statements of historical fact, that address activities, events or developments that Greystone expects, believes or anticipates will or may occur in the future, including decreased costs, securing

financing, the profitability of Greystone, potential sales of pallets or other possible business developments, are forward-looking statements. Such statements are subject to a number of assumptions, risks and uncertainties. The forward-looking statements contained in this Quarterly Report on Form 10-QSB could be affected by any of the following factors: Greystone's prospects could be affected by changes in availability of raw materials, competition, rapid technological change and new legislation regarding environmental matters; Greystone may not be able to secure additional financing necessary to sustain and grow its operations; and a material portion of Greystone's business is and will be dependent upon a few large customers and there is no assurance that Greystone will be able to retain such customers. These risks and other risks that could affect Greystone's business are more fully described in Greystone's Form 10-KSB for the fiscal year ended May 31, 2007, which was filed on August 30, 2007. Actual results may vary materially from the forward-looking statements. Greystone undertakes no duty to update any of the forward-looking statements contained in this Quarterly Report on Form 10-QSB.

ITEM 3. CONTROLS AND PROCEDURES

As of the end of the period covered by this Current Report on Form 10-QSB, Greystone carried out an evaluation under the supervision of Greystone's Chief Executive Officer and Chief Financial Officer of the effectiveness of the design and operation of Greystone's disclosure controls and procedures pursuant to the Securities Exchange Act Rules 13a-15(e) and 15d-15(e). Based on this evaluation, Greystone's Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures as of the end of the period covered by this Current Report on Form 10-QSB were effective.

During the quarter ended November 30, 2007, 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.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

11.1 Computation of Income (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.

32.1 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: January 14, 2008 /s/ Warren F. Kruger

President and Chief Executive Officer