

NETLIST INC  
Form 10-Q  
November 14, 2017  
Table of Contents

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 September 30, 2017

or

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

For the transition period from            to

Commission file number 001-33170

NETLIST, INC.

(Exact name of registrant as specified in its charter)

Delaware  
State or other jurisdiction of incorporation or organization

95-4812784  
(I.R.S. Employer Identification No.)

175 Technology Drive, Suite 150

Irvine, CA 92618

(Address of principal executive offices) (Zip Code)

(949) 435-0025

(Registrant's telephone number, including area code)

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

Large accelerated filer	Accelerated filer	Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company Emerging growth company
-------------------------	-------------------	---	--

Edgar Filing: NETLIST INC - Form 10-Q

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

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

The number of shares outstanding of the registrant's common stock as of the latest practicable date:

Common Stock, par value \$0.001 per share

70,419,646 shares outstanding at November 6, 2017

---

Table of Contents

NETLIST, INC. AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	3
<u>Condensed Consolidated Balance Sheets at September 30, 2017 (unaudited) and December 31, 2016 (audited)</u>	3
<u>Unaudited Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2017 and October 1, 2016</u>	4
<u>Unaudited Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and October 1, 2016</u>	5
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	29
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	43
<u>Item 4. Controls and Procedures</u>	43
<u>PART II. OTHER INFORMATION</u>	44
<u>Item 1. Legal Proceedings</u>	44
<u>Item 1A. Risk Factors</u>	44
<u>Item 6. Exhibits</u>	69

Table of Contents

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## NETLIST, INC. AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets

(in thousands, except par value)

	September 30, 2017 (unaudited)	December 31, 2016 (audited)
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 8,583	\$ 9,476
Restricted cash	2,400	3,100
Accounts receivable, net of reserves of \$47 (2017) and \$151 (2016)	3,080	1,751
Inventories	4,386	3,160
Prepaid expenses and other current assets	1,703	1,766
Total current assets	20,152	19,253
Property and equipment, net	509	645
Other assets	82	70
Total assets	\$ 20,743	\$ 19,968
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current Liabilities:		
Accounts payable	\$ 7,766	\$ 4,028
Revolving line of credit	2,570	676
Accrued payroll and related liabilities	650	1,085
Accrued expenses and other current liabilities	306	270
Notes payable and capital lease obligation, current	23	151
Total current liabilities	11,315	6,210
Convertible promissory note, net of debt discount, and accrued interest	14,638	14,251
Long-term warranty liability	53	36
Total liabilities	26,006	20,497
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock, \$0.001 par value - 10,000 shares authorized; no shares issued and outstanding	-	-
Common stock, \$0.001 par value - 150,000 shares authorized; 70,420 (2017) and 61,653 (2016) shares issued and outstanding	70	62
Additional paid-in capital	149,580	144,035

Accumulated deficit

(154,913)