
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **November 2, 2009**

Netlist, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-33170
(Commission
File Number)

95-4812784
(IRS Employer
Identification No.)

51 Discovery, Irvine, California
(Address of principal executive offices)

92618
(Zip Code)

Registrant's telephone number, including area code: **(949) 435-0025**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
-
-

Item 2.02 Results of Operations and Financial Condition.

On November 2, 2009, Netlist, Inc. (the “Company”) issued a press release announcing the Company’s results of operations for the quarter ended October 3, 2009. The press release is attached hereto as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein in its entirety.

The information included in this Item 2.02 of Current Report on Form 8-K, including the attached Exhibit 99.1, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

d) Exhibits

| Exhibit Number | Description |
|-----------------------|--|
| 99.1 | Press Release, dated November 2, 2009. |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: November 2, 2009

NETLIST, INC.

/s/ Gail Itow

Gail Itow

Vice President and Secretary



NEWS RELEASE for November 2, 2009 at 4:00 PM EST

Contact: Allen & Caron Inc
 Jill Bertotti (investors)
 jill@allencaron.com
 Len Hall (media)
 len@allencaron.com
 (949) 474-4300

Gail Itow
 Chief Financial Officer
 Netlist, Inc.
 (949) 435-0025

NETLIST REPORTS THIRD QUARTER, NINE-MONTH RESULTS

Strong Sequential Revenue Growth

IRVINE, CA (November 2, 2009) . . . Netlist, Inc. (NASDAQ: NLST) today reported financial results for the third quarter and nine months ended October 3, 2009. Revenues for the third quarter and nine months ended October 3, 2009, were \$6.4 million and \$11.8 million, respectively, compared to \$28.9 million and \$60.4 million for the third quarter and nine months ended September 27, 2008. Revenue for the 2009 third quarter doubled from the \$3.2 million in this year's second quarter.

The year-over-year decline in revenues was driven by a reduction in demand from the Company's customer base mainly due to the commoditization of certain product offerings. In response to the current lower base of revenue, costs have been aggressively managed downward to better match those levels of revenue. The Company continues to invest heavily in R&D as it executes on the planned technology transition to its next-generation memory subsystems.

"We are very pleased by the progress of our next-generation product development," Chief Executive Officer Chun K. Hong said. "We remain on track to launch the first of our new products before the end of the year. The improving market for high-performance computing, firming prices for memory and the early interest from OEMs in our chip-based technologies have given us reason for optimism as we look into 2010 and beyond."

Gross profit for the third quarter ended October 3, 2009, was \$1.6 million, or a gross margin of 24.3 percent, compared to \$2.0 million, or a gross margin of 7.1 percent for the third quarter ended September 27, 2008. This is an improvement from the second quarter gross profit of \$244,000, or a gross margin of 7.7 percent. Gross profit for the nine months ended October 3, 2009, was \$1.3 million, or a gross margin of 10.8 percent, compared to gross profit of \$7.8 million, or a gross margin of 13.0 percent in the year-earlier period.

Net loss for the 2009 third quarter was \$2.1 million, or \$0.11 loss per share, compared to a net loss in the prior year period of \$7.4 million, or \$0.37 loss per share. Net loss for the 2009 first nine months was \$9.9 million, or \$0.50 loss per share, compared to a net loss of \$10.3 million, or a \$0.52 loss per share. These results include stock-based compensation expense in the third quarter and nine months ended October 3, 2009 of \$631,000 and \$1.2 million, respectively, compared with \$362,000 and \$981,000 in the prior year periods.

During the third quarter, the Company remained focused on preserving cash. As of October 3, 2009, cash, cash equivalents, and investments in marketable securities were \$16.4 million, total assets were \$27.1 million, working capital was \$14.5 million, total long-term debt was \$192,000, and stockholders' equity was \$21.6 million.

Conference Call Information

As previously announced, Netlist is conducting a conference call today to be broadcast live over the Internet at 5:00 pm Eastern Time to discuss and review the financial results for the third quarter and nine months ended October 3, 2009. The dial-in number for the call is

1-877-941-8602. The live webcast and archived replay of the call can be accessed in the Investors section of Netlist's website at www.netlist.com.

About Netlist, Inc.

Netlist designs and manufactures high-performance memory subsystems for the server and high-performance computing and communications markets. The Company's memory subsystems are developed for applications in which high-speed, high-capacity memory, functionality, small form factor, and heat dissipation are key requirements. These applications include tower-servers, rack-mounted servers, blade servers, high-performance computing clusters, engineering workstations, and telecommunication equipment. Netlist maintains its headquarters in Irvine, California with manufacturing facilities in Suzhou, China.

Safe Harbor Statement

This news release contains forward-looking statements regarding future events and the future performance of Netlist, including future opportunities and growth for the company's business. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expected or projected. These risks and uncertainties include, but are not limited to, the rapidly-changing nature of technology; volatility in the pricing of DRAM ICs and NAND; changes in and uncertainty of customer demand, including delays in product qualifications; delays in the Company's and its customers' product releases and development; introductions of new products by competitors; changes in end-user demand for technology solutions; the Company's ability to attract and retain skilled personnel; the Company's reliance on suppliers of critical components; fluctuations in the market price of evolving industry standards; and the political and regulatory environment in the People's Republic of China. Other risks and uncertainties are described in the Company's annual report on Form 10-K, dated March 30, 2009, and subsequent filings with the U.S. Securities and Exchange Commission made by the Company from time to time. Netlist undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

TABLES FOLLOW

Netlist, Inc.
Unaudited Condensed Consolidated Statements of Operations
(in thousands, except per share amounts)

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-----------------------|--------------------|-----------------------|
| | October 3, 2009 | September 27, 2008 | October 3, 2009 | September 27, 2008 |
| Net sales | \$ 6,446 | \$ 28,876 | \$ 11,781 | \$ 60,409 |
| Cost of sales(1) | 4,879 | 26,832 | 10,507 | 52,575 |
| Gross profit | 1,567 | 2,044 | 1,274 | 7,834 |
| Operating expenses: | | | | |
| Research and development(1) | 1,975 | 1,651 | 5,619 | 4,943 |
| Selling, general and administrative(1) | 2,115 | 3,364 | 6,170 | 10,142 |
| Total operating expenses | 4,090 | 5,015 | 11,789 | 15,085 |
| Operating loss | (2,523) | (2,971) | (10,515) | (7,251) |
| Other income: | | | | |
| Interest (expense) income, net | (25) | 38 | 75 | 381 |
| Other income (expense), net | 4 | 13 | 134 | (55) |
| Total other income (expense), net | (21) | 51 | 209 | 326 |
| Loss before provision (benefit) for income taxes | (2,544) | (2,920) | (10,306) | (6,925) |
| Provision (benefit) for income taxes | (458) | 4,502 | (409) | 3,332 |
| Net loss | <u>\$ (2,086)</u> | <u>\$ (7,422)</u> | <u>\$ (9,897)</u> | <u>\$ (10,257)</u> |
| Net loss per common share: | | | | |
| Basic and diluted | \$ (0.11) | \$ (0.37) | \$ (0.50) | \$ (0.52) |
| Weighted-average common shares outstanding: | | | | |
| Basic and diluted | 19,855 | 19,855 | 19,855 | 19,845 |

(1) Amounts include stock-based compensation expense as follows:

| | | | | |
|-------------------------------------|--------|-------|--------|--------|
| Cost of sales | \$ 146 | \$ 44 | \$ 213 | \$ 106 |
| Research and development | 156 | 55 | 262 | 140 |
| Selling, general and administrative | 329 | 263 | 753 | 735 |

MORE-MORE-MORE

Netlist, Inc.
Unaudited Condensed Consolidated Balance Sheets
(in thousands)

| | <u>October 3,</u> <u>2009</u> | <u>January 3,</u> <u>2009</u> |
|--|----------------------------------|----------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 11,501 | \$ 15,214 |
| Investments in marketable securities | 3,115 | 5,199 |
| Accounts receivable, net | 2,732 | 1,917 |
| Inventories | 1,886 | 1,829 |
| Income taxes receivable | — | 1,880 |
| Prepaid expenses and other current assets | 636 | 761 |
| Total current assets | <u>19,870</u> | <u>26,800</u> |
| Property and equipment, net | 5,202 | 6,939 |
| Long-term investments in marketable securities | 1,742 | 960 |
| Other assets | 252 | 234 |
| Total assets | <u>\$ 27,066</u> | <u>\$ 34,933</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,969 | \$ 1,786 |
| Current portion of long-term debt | 115 | 474 |
| Current portion of deferred gain on sale and leaseback transaction | 118 | 118 |
| Income taxes payable | 78 | — |
| Accrued expenses and other current liabilities | 3,093 | 2,083 |
| Total current liabilities | <u>5,373</u> | <u>4,461</u> |
| Long-term debt, net of current portion | 77 | 130 |
| Deferred gain on sale and leaseback transaction, net of current portion | 19 | 108 |
| Total liabilities | <u>5,469</u> | <u>4,699</u> |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common stock, \$0.001 par value - 90,000 shares authorized; 19,855 shares issued and outstanding | 20 | 20 |
| Additional paid-in capital | 70,611 | 69,383 |
| Accumulated deficit | (49,010) | (39,113) |
| Accumulated other comprehensive loss | (24) | (56) |
| Total stockholders' equity | <u>21,597</u> | <u>30,234</u> |
| Total liabilities and stockholders' equity | <u>\$ 27,066</u> | <u>\$ 34,933</u> |

###