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TERAFORCE TECHNOLOGY CORP

Form 8-K

November 17, 2003

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 17, 2003

TeraForce Technology Corporation

(Exact name of registrant as specified in its charter)

Delaware	0-11630	76-0471342
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1240 East Campbell Road, Richardson, Texas	75081
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(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (469) 330-4960

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On November 17, 2003 the Company issued a press release concerning its results of operations for the quarter ended September 30, 2003 and providing information regarding a conference call to be held at 3:30 CST on November 17, 2003 to discuss these results.

The text of this release is as follows:

TERAFORCE REPORTS
THIRD QUARTER 2003 RESULTS

NET REVENUES SHOW PROGRESSION OVER PRIOR QUARTER
IMPROVEMENTS EXPECTED FROM NEW SOURCES OF REVENUE

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RICHARDSON, TEXAS (NOVEMBER 17, 2003) - TeraForce Technology Corporation (OTCBB: TERA) today announced financial results for the third quarter ended September 30, 2003.

FINANCIAL RESULTS

Net revenues for the third quarter of 2003 were \$1,699,000, compared to \$718,000 in the same quarter last year and \$1,385,000 in the second quarter of 2003. For the nine-month periods, net revenues were \$4,037,000 in 2003 compared to \$4,007,000 in the previous year.

Gross profit for the third quarter of 2003 was \$591,000. This compares to gross profit for the third quarter last year of \$93,000 and \$408,000 for the second quarter of 2003.

The net loss for the third quarter of 2003 was \$2,659,000 (\$0.02 per share) as compared to \$4,074,000 (\$0.05 per share) in the third quarter of 2002. For the nine months ended September 30, 2003, the net loss was \$6,737,000 (\$0.06 per share) versus a loss of \$1,357,000 (\$0.02 per share) in the previous year. The net loss for the nine months ended September 30, 2002 includes income of \$6,300,000 from the settlement of litigation.

Net income for the third quarter of 2003 includes non-cash charges totaling approximately \$1,059,000, consisting of approximately \$782,000 from the adjustment in the carrying value of the Company's interest in and receivable from Intellect Technologies, Inc. and approximately \$277,000 related to the amortization of warrant and other costs arising from recent financing transactions. Third quarter results also include a charge of approximately \$290,000 related to estimated settlement and other costs related to the resolution of a shareholder suit that has been pending since 1999.

Herman Frietsch, chairman and chief executive officer of TeraForce Technology Corporation commented, "The increase in net revenues and decrease in operating loss for this most recent quarter we believe indicate our steady progress in the growth of our defense electronics business and our goal of producing sustainable operating profits and cash flow.

"Earlier today our new collaboration with VISTA Controls was announced. We believe that this arrangement will materially increase our business opportunities in the coming months and that we will see a significant increase in revenues from technology licensing.

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"We also have announced recently that we have begun to receive production orders related to program design wins that were secured over the past several months. Based on these new developments, we expect significant further improvement in our operating results for the fourth quarter of 2003."

CONFERENCE CALL SCHEDULED

The Company will also host a management conference call Monday, November 17, 2003 at 3:30 p.m. Central Standard Time, to review the matters discussed in this release. Shareholders and investors interested in attending the conference call

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should dial 904-779-4708 ten minutes prior to the call, reservation code 20412289. A live webcast of the conference call will also be available on the TeraForce website <http://www.teraforcetechnology.com/>.

A replay of the conference call will be available later that day from 5:30 p.m. Eastern Standard Time through 5:30 p.m. Eastern Standard Time on December 17, 2003. To access the playback, please call 402-220-2491. The reservation code for the replay is 20412289. A replay will be available online through the TeraForce website <http://www.teraforcetechnology.com/>.

ABOUT TERAFORCE TECHNOLOGY CORPORATION

Based in Richardson, Texas, TeraForce Technology Corporation (OTCBB: TERA) designs, develops, produces and sells high-density embedded computing platforms and digital signal processing products, primarily for applications in the defense electronics industry. TeraForce's primary operating unit is DNA Computing Solutions, Inc., www.dnacomputingsolutions.com.

Except for the historical information contained herein, the statements in this announcement are forward looking statements which involve risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, the forward looking statements. Factors that might cause such a difference include, but are not limited to, those relating to: general economic conditions in the markets in which the Company operates; success in the development and market acceptance of new and existing products; dependence on suppliers, third party manufacturers and channels of distribution; contingent liabilities; customer and product concentration; fluctuations in customer demand; maintaining access to external sources of capital; ability to attract and retain key management and technical personnel; issues regarding intellectual property rights; overall management of the Company's expansion; and other risk factors detailed from time to time in the Company's filings with the Securities and Exchange Commission. The Company does not utilize electronic "bulletin boards" as a means of disseminating information. The Company's officers, directors, employees and representatives are prohibited by Company policy from participating in such forums in regards to the Company.

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TERAFORCE TECHNOLOGY CORPORATION AND SUBSIDIARIES
Consolidated Condensed Balance Sheets
(Thousands of dollars, except share data)

Assets
Current assets:
Cash and cash equivalents
Temporary cash investments

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Accounts receivable net of allowance of \$30 in 2003
and \$0 in 2002
Receivable from affiliate
Inventories
Prepaid services
Prepaid expenses and other current assets

Total current assets

Property and equipment, net
Investment in and receivable from affiliate
Other assets

Liabilities and Stockholders' Deficit

Current liabilities:

Notes payable
Accounts payable
Accrued liabilities

Total current liabilities

Long-term notes payable

Other long-term liabilities

Stockholders' deficit:

Common Stock, \$.01 par value; authorized 200,000,000 shares; 118,556,587 and
114,255,518 shares issued in 2003 and 2002, respectively
Additional paid-in capital
Accumulated deficit

Less 400,474 shares of common stock in treasury at cost

Total stockholders' deficit

TERAFORCE TECHNOLOGY CORPORATION AND SUBSIDIARIES
Consolidated Condensed Statements of Operations
(Thousands of dollars, except per share data)

Three Months Ended
September 30,

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	----- 2003 -----	----- 2002 ----- (unaud)
Net revenues	\$ 1,699	\$ 718
Cost of revenue	1,108	625
	-----	-----
Gross profit	591	93
	-----	-----
Expenses:		
Engineering and development	582	546
Selling and administrative	1,171	1,537
Write-off of receivable from unconsolidated affiliate	449	--
	-----	-----
	2,202	2,083
	-----	-----
Operating loss	(1,611)	(1,990)
	-----	-----
Other income (expense):		
Litigation settlement	--	--
Litigation costs, net of insurance reimbursement	(292)	(206)
Share of loss and adjustment to carrying value of unconsolidated affiliate	(333)	(295)
Interest expense	(407)	(130)
Interest income and other	(16)	67
	-----	-----
	(1,048)	(564)
	-----	-----
Income (loss) from continuing operations	(2,659)	(2,554)
Loss from discontinued operations	--	(1,520)
	-----	-----
Net loss	\$ (2,659)	\$ (4,074)
	=====	=====
Basic and diluted loss per share:		
Continuing operations	\$ (.02)	\$ (.03)
Discontinued operations	--	(.02)
	-----	-----
Net loss per share	\$ (.02)	\$ (.05)
	=====	=====
Weighted average number of common shares outstanding (thousands) basic and diluted	118,138	88,725
	=====	=====

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	Nine Months

	2003

	(u)
Cash flows from operating activities:	
Net loss	\$ (6,73
Adjustments to reconcile net loss to net cash used in operating activities:	
Litigation settlement	-
Utilization of prepaid services	19
Depreciation and amortization	19
Amounts related to unconsolidated affiliate	1,15
Other	4
Changes in operating assets and liabilities:	
Accounts receivable	(46
Inventories	56
Accounts payable and accrued liabilities	15

Net cash used in operating activities	(4,90

Cash flows from investing activities:	
Proceeds from litigation settlement	-
Capital expenditures	(2
Investment in temporary cash investments	45
Net proceeds from disposal of discontinued operations	-
Software development costs	(10

Net cash used in investing activities	33

Cash flows from financing activities:	
Proceeds from issuance of notes payable	4,26
Proceeds from issuance of common stock	51
Principal payments on notes payable	(22

Net cash provided by (used in) investing activities	4,55

Net increase (decrease) in cash and cash equivalents	(2
Cash and cash equivalents, beginning of period	5

Cash and cash equivalents, end of period	\$ 3
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ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements of Business to Be Acquired: N/A

(b) Pro Forma Financial Information: N/A

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(c) Exhibits: N/A

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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.

TeraForce Technology Corporation

(Registrant)

Date: November 17, 2003

By: /s/ Herman M. Frietsch

(Signature)

Herman M. Frietsch

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