

CRAY INC
Form 424B2
March 09, 2004

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Filed Pursuant to Rule 424(b)(2)
Registration No. 333-76223

PROSPECTUS SUPPLEMENT
(To Prospectus dated September 1, 1999)

CRAY INC.

Common Stock

On April 1, 2000, we changed our corporate name from Tera Computer Company to Cray Inc. Our website address is: www.cray.com. All references in the Prospectus to Tera Computer Company should be to Cray Inc.

The Selling Shareholders have exercised all of their warrants. The underlying shares of Common Stock may be sold pursuant to the Plan of Distribution.

Our common stock is traded on the Nasdaq National Market under the symbol CRAY. On March 8, 2004, the last sale price for our common stock as reported by the Nasdaq was \$7.00 per share.

The securities offered by this prospectus supplement involve a high degree of risk. You should carefully consider the Factors That Could Affect Future Results contained in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, and in our future filings made with the Securities and Exchange Commission, which are incorporated by reference in this prospectus, in determining whether to purchase our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is March 9, 2004.

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PROSPECTUS

TERA COMPUTER COMPANY

2,561,111 shares of Common Stock

These shares of Common Stock are being offered and sold from time to time by certain of our current shareholders.

The selling shareholders may sell the shares from time to time at fixed prices, market prices, prices computed with formulas based on market prices, or at negotiated prices, and may engage a broker or dealer to sell the shares. For additional information on the selling shareholders possible methods of sale, you should refer to the section of this prospectus entitled Plan of Distribution on page 4. We will not receive any proceeds from the sale of the shares, but will bear the costs relating to the registration of the shares.

Concurrent with this offering, Banca del Gottardo, one of the selling shareholders, and other shareholders are offering an aggregate of 18,190,990 shares of our common stock under other prospectuses contained in registration statements filed by us.

Our Common Stock is traded on the Nasdaq National Market under the symbol TERA. On August 25, 1999, the closing price for our Common Stock was \$5.375 per share.

The shares offered in this prospectus involve a high degree of risk. You should carefully consider the Risk Factors contained in our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1999 filed with the Securities and Exchange Commission on August 16, 1999 and in our future filings made with the Securities and Exchange Commission, which are incorporated by reference in this prospectus, in determining whether to purchase shares of our Common Stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the shares, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is September 1, 1999.

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You should rely only on information contained or incorporated by reference in this prospectus. See Information Incorporated by Reference on page 6. Neither Tera nor the selling shareholders have authorized any other person to provide you with information different from that contained in this prospectus.

The shares of Common Stock are not being offered in any jurisdiction where the offering is not permitted.

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Tera Computer Company designs, builds and sells high-performance computer systems, sometimes referred to as supercomputers. Our executive offices are located at Merrill Place, Suite 600, 411 First Avenue South, Seattle, WA 98104-2860, and our telephone number is (206) 701-2000.

SELLING SHAREHOLDERS

The following table sets forth certain information as of August 12, 1999, regarding the selling shareholders ownership of our common stock and as adjusted to reflect the selling shareholders ownership of our common stock if all shares covered by this prospectus are sold. The shares covered by this prospectus include:

shares of common stock issued to the selling shareholders in a private placement in March 1999; and

shares of common stock issuable upon exercise of warrants issued to the selling shareholders as part of the private placement in March 1999 for no additional consideration. Of these warrants, all of which are exercisable only for cash and expire in five years, 225,000 are exercisable at \$5.16 per share and 1,111,111 are exercisable at \$4.72 per share.

The shares of common stock beneficially owned by Banca del Gottardo after the completion of this offering excludes 2,299,709 shares of common stock issuable upon exercise of warrants issued to the Banca del Gottardo in June 1999.

Selling Shareholder	Shares Owned Prior to Offering	Shares Being Offered	Ownership After Offering if All Shares Offered Hereby Are Sold	
			Shares	Percent*
Banca del Gottardo	2,301,695	2,511,111	1,101,695	4.4%
Vijay Alimchandani	25,000	50,000		

* Based on 23,797,854 shares outstanding as of August 12, 1999, and assuming no exercise of outstanding options or warrants after that date.

Banca del Gottardo has represented to us that it purchased our common stock and warrants for its own account and on behalf of its private banking and other clients, and

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that no client or group of affiliated clients owns more than one percent of our outstanding shares of common stock.

Except for Banca del Gottardo's option to purchase additional shares of Common Stock, which was eliminated in connection with the June 1999 Private Placement, neither the selling shareholders nor any officer or director of Banca del Gottardo has held any positions or office or had any other material relationship with us or any of our affiliates within the past three years.

In recognition of the fact that the selling shareholders may wish to be legally permitted to sell their shares when they deem appropriate, we have agreed with the selling shareholders to file with the Securities and Exchange Commission (SEC), under the Securities Act of 1933 (the Securities Act), a registration statement on Form S-3, of which this prospectus forms a part, with respect to the resale of the shares, and have agreed to prepare and file such amendments and supplements to the registration statement as may be necessary to keep the registration statement effective until the shares are no longer required to be registered for sale by the selling shareholders.

PLAN OF DISTRIBUTION

Tera is registering the shares covered by this prospectus for the selling shareholders. As used in this prospectus, selling shareholders includes the pledgees, donees, transferees or others who may later hold the selling shareholders interest. Tera will pay the costs and fees of registering the shares, but the selling shareholders will pay any brokerage commissions, discounts or other expenses relating to the sale of the shares. The Company and the selling shareholders each have agreed to indemnify the other against certain liabilities, including liabilities arising under the Securities Act, that relate to statements or omissions in the registration statement of which this prospectus forms a part.

The selling shareholders may sell the shares in the over-the-counter market or otherwise, at market prices prevailing at the time of sale, at prices related to prevailing market prices, or at negotiated prices. In addition, the selling shareholders may sell some or all of their shares through:

a block trade in which a broker-dealer may resell a portion of the block, as principal, in order to facilitate the transaction;

purchases by a broker-dealer, as principal, and resale by the broker-dealer for its account; or ordinary brokerage transactions and transactions in which a broker solicits purchases.

When selling the shares, the selling shareholders may enter into hedging transactions. For example, the selling shareholders may:

enter into transactions involving short sales of the shares by broker-dealers;

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sell shares short themselves and redeliver such shares to close out their short positions;

enter into option or other types of transactions that require the selling shareholder to deliver shares to a broker-dealer, who will then resell or transfer the shares under this prospectus; or

loan or pledge the shares to a broker-dealer, who may sell the loaned shares or, in the event of default, sell the pledged shares.

The selling shareholders may negotiate and pay broker-dealers commissions, discounts or concessions for their services. Broker-dealers engaged by the selling shareholders may allow other broker-dealers to participate in resales. However, the selling shareholders and any broker-dealers involved in the sale or resale of the shares may qualify as underwriters within the meaning of the Section 2(a)(11) of the Securities Act. In addition, the broker-dealers commissions, discounts or concessions may qualify as underwriters compensation under the Securities Act. If the selling shareholders qualify as underwriters, they will be subject to the prospectus delivery requirements of Section 5(b)(2) of the Securities Act.

In addition to selling their shares under this prospectus, the selling shareholders may:

agree to indemnify any broker-dealer or agent against certain liabilities related to the selling of the shares, including liabilities arising under the Securities Act;

transfer their shares in other ways not involving market makers or established trading markets, including directly by gift, distribution, or other transfer; or

sell their shares under Rule 144 of the Securities Act rather than under this prospectus, if the transaction meets the requirements of Rule 144.

Upon notification by a selling shareholder that any material arrangement has been entered into with a broker-dealer for the sale of the shares through a block trade, special offering, exchange distribution or secondary distribution or a purchase by a broker or dealer, we will file a supplement to this prospectus, if required, pursuant to Rule 424(b) under the Securities Act, disclosing the material terms of the transaction. In addition, we will file a supplement to this prospectus if a selling shareholder notifies us that a donee or pledgee intends to sell more than 500 shares.

EXPERTS

The balance sheets of Tera Computer Company as of December 31, 1997 and 1998 and the related statements of operations, stockholders equity and cash flows for each of the three years in the period ended December 31, 1998, incorporated by reference into this prospectus, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports with respect thereto, which includes an explanatory paragraph

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concerning our ability to continue as a going-concern. These financial statements have been incorporated in reliance on the reports of such firm given upon their authority as experts in accounting and auditing.

LIMITATION OF LIABILITY AND INDEMNIFICATION

Our Restated Articles of Incorporation provide that, to the fullest extent permitted by the Washington Business Corporation Act, our directors will not be liable for monetary damages to Tera or its shareholders, excluding, however, liability for acts or omissions involving intentional misconduct or knowing violations of law, illegal distributions or transactions from which the director receives benefits to which the director is not legally entitled. Our Restated Bylaws provide that Tera will indemnify its directors and, by action of the Board of Directors, may indemnify its officers, employees and other agents to the fullest extent permitted by applicable law, except for any legal proceeding that is initiated by such directors, officers, employees or agents without authorization of the Board of Directors.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of Tera pursuant to the foregoing provisions, or otherwise, we have been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

INFORMATION INCORPORATED BY REFERENCE

The SEC allows us to incorporate by reference our publicly-filed reports into this prospectus, which means that information included in those reports is considered part of this prospectus. Information that we file with the SEC subsequent to the date of this prospectus will automatically update and supersede the information contained in this prospectus. We incorporate by reference the documents listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until the selling shareholders have sold all the shares.

The following documents filed with the SEC are incorporated by reference in this prospectus:

1. Our Annual Report on Form 10-K for the year ended December 31, 1998, and Amendments 1 and 2 thereto as filed with the SEC on August 17, 1999 and August 26, 1999, respectively;
2. Our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1999 and Amendment No. 1 thereto as filed with the SEC on August 16, 1999;
3. Our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1999;
4. Our Current Report on Form 8-K for the event of May 21, 1999, as filed with the SEC on July 21, 1999.

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5. Our Current Report on Form 8-K for the event of June 25, 1999, as filed with the SEC on June 29, 1999;
6. Our Current Report on Form 8-K for the event of June 21, 1999, as filed with the SEC on June 30, 1999;
7. Our Current Report on Form 8-K for the event of March 22, 1999, as filed with the SEC on March 25, 1999;
8. Our Current Report on Form 8-K for the event of March 10, 1999, as filed with the SEC on March 25, 1999; and
9. The description of our common stock set forth in our Registration Statement on Form SB-2 (Registration No. 33-95460-LA), including any amendment or report filed for the purpose of updating such description, as incorporated by reference in our Registration Statement on Form 8-A (Registration No. 0-26820), including the amendment thereto on Form 8-A/A.

We will furnish without charge to you, on written or oral request, a copy of any or all of the documents incorporated by reference, other than exhibits to such documents. You should direct any requests for documents to Investor Relations, Tera Computer Company, 411 First Avenue South, Suite 600, Seattle, Washington 98104, Telephone (206) 701-2000.

The information relating to Tera contained in this prospectus is not comprehensive and should be read together with the information contained in the incorporated documents.

AVAILABLE INFORMATION

This prospectus is part of a Registration Statement on Form S-3 that we filed with the SEC. Certain information in the Registration Statement has been omitted from this prospectus in accordance with SEC rules.

We file annual, quarterly and special reports and other information with the SEC. You may read and copy the Registration Statement and any other document that we file at the SEC's public reference rooms located at Room 1024, Judiciary Plaza, 450 Fifth Street N.W., Washington, D.C. 20549; 7 World Trade Center, Suite 1300, New York, New York 10048; and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to you free of charge at the SEC's web site at <http://www.sec.gov> or through our web site at <http://www.tera.com>.

Statements contained in this prospectus as to the contents of any contract or other document referred to are not necessarily complete. You should refer to the copy of such contract or other document filed as an exhibit to the Registration Statement.