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TERAFORCE TECHNOLOGY CORP

Form 8-K/A

November 06, 2001

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

FORM 8-K/A

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

Date of report (Date of earliest event reported) August 30, 2001

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
-----	-----
(Address of principal executive offices)	(Zip Code)

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

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ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

On August 30, 2001, TeraForce Technology Corporation (the "Company") and Singapore Technologies Electronics Limited ("ST Elect") completed a transaction whereby a newly formed joint venture entity acquired certain assets of the Company's wholly-owned subsidiary, Intellect Network Technologies Company ("INT").

The accompanying Pro Forma Condensed Balance Sheet as of June 30, 2001 reflects the financial position of the Company as if this transaction had been completed as of that date. The Pro Forma Condensed Statements of Operations for the Year ended December 31, 2000 and for the Six Months ended June 30, 2001 reflect the results of operations of the Company as if the transaction had been completed as of January 1, 2000.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

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

(b) Pro Forma Financial Information

Pro Forma Condensed Balance Sheet as of June 30, 2001

Pro Forma Condensed Statement of Operations for the
Six Months ended June 30, 2001

Pro Forma Condensed Statement of Operations for the
Year ended December 31, 2000

(c) Exhibits:

None

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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 6, 2001

By: /s/ Herman M. Frietsch

(Signature)

Herman M. Frietsch
Chairman of the Board and CEO

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BASIS OF PRESENTATION

On August 30, 2001, TeraForce Technology Corporation (the "Company") and Singapore Technologies Electronics Limited ("ST Elect") completed a transaction whereby a newly formed joint venture entity acquired certain assets of the Company's wholly-owned subsidiary, Intellect Network Technologies Company ("INT"). The joint venture entity, Intellect Technologies Inc. ("Intellect Technologies"), is a Delaware corporation. Intellect Technologies is initially owned 67% by ST Elect and 33% by the Company, with each company having proportionate board of director representation.

Intellect Technologies has purchased from INT certain fixed assets, intangible assets, inventory and intellectual property related to the OmniLynx product line. Intellect Technologies has also hired certain former employees of INT and has assumed occupancy and financial responsibility for a facility previously utilized by INT. At closing, INT received a cash payment and will receive additional periodic payments based on utilization of the inventory acquired from INT and on the financial position of Intellect Technologies.

The assets sold pursuant to this arrangement had a net book value as of June 30, 2001 of approximately \$3,100,000. Due to the uncertainty regarding the amount which the Company will ultimately receive, the Company has not recognized a gain from the sale of these assets.

The accompanying pro forma financial statements reflect the financial position of the Company as of June 30, 2001 as if the transaction had been completed as of that date and the results of operations for the Company for the year ended December 31, 2000 and for the six months ended June 30, 2001 as if the transaction had been completed as of January 1, 2000.

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TERAFORCE TECHNOLOGY CORPORATION AND SUBSIDIARIES
Consolidated Condensed Pro Forma Balance Sheet
June 30, 2001
Unaudited
(Thousands of dollars, except share data)

	Historical -----	Pro Forma Adjustments ----- Debit (Credit)	Pro Forma -----
Assets			
Current assets:			
Cash, cash equivalents and investments	\$ 380	\$ A) 2,250 B) (1,250)	\$ 1,380

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Accounts receivable, net	2,194	A) 2,158	4,352
Assets held for sale	3,127	A) (3,127)	--
Inventories	4,638	--	4,638
Prepaid expenses	647	A) (457)	190
	-----	-----	-----
Total current assets	10,986	(436)	10,560
Property and equipment, net	1,354	--	1,354
Goodwill, net	3,018	--	3,018
Investment in joint venture	--	B) 1,250	1,250
Other assets	754	A) (554)	200
	-----	-----	-----
	\$ 16,112	\$ 270	\$ 16,382
	=====	=====	=====
Liabilities and Stockholders' Equity			
Current liabilities:			
Notes payable	\$ 2,100	\$ --	\$ 2,100
Accounts payable	1,811	--	1,811
Accrued liabilities	1,513	A) (270)	1,783
	-----	-----	-----
Total current liabilities	5,424	(270)	5,694
Stockholders' equity	10,688	--	10,688
	-----	-----	-----
	\$ 16,112	\$ (270)	\$ 16,382
	=====	=====	=====

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TERAFORCE TECHNOLOGY CORPORATION AND SUBSIDIARIES
Pro Forma Consolidated Condensed Statements of Operations
Six Months Ended June 30, 2001
Unaudited
(Thousands of dollars, except per share data)

	Historical	Pro Forma Adjustments	Pro Forma
	-----	-----	-----
Net revenues	\$ 7,677	\$ B) (2,518)	\$ 5,159
Cost of revenue	7,748	B) (3,210)	4,538
	-----	-----	-----
Gross profit (loss)	(71)	692	621
	-----	-----	-----
Expenses:			
Engineering and development	2,757	B) (657)	2,100
Selling and administrative	6,089	B) (2,130)	3,959
Amortization of goodwill	336	--	336
	-----	-----	-----
	9,182	(2,787)	6,395

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Operating loss	(9,253)	3,479	(5,774)
Other income (expense):			
Equity in earning (loss) of joint venture	--	C) (1,162)	(1,162)
Interest expense	(19)	--	(19)
Interest income and other	22	B) 6	28
	3	(1,156)	(1,153)
Loss before income taxes	(9,250)	2,323	(6,927)
Income tax expense	--	--	--
Net loss	\$ (9,250)	\$ 2,323	\$ (6,927)
Basic and diluted loss per share:			
Net loss per share	\$ (.11)	\$	\$ (.08)
Weighted average number of common shares outstanding (thousands)	86,014		86,014

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TERAFORCE TECHNOLOGY CORPORATION AND SUBSIDIARIES
 Pro Forma Consolidated Condensed Statements of Operations
 Year Ended December, 2000
 Unaudited
 (Thousands of dollars, except per share data)

	Historical	Pro Forma Adjustments	Pro Forma
Net revenues	\$ 18,750	\$ B) (8,213)	\$ 10,537
Cost of revenue	19,658	B) (9,819)	9,839
Gross profit (loss)	(908)	1,606	698
Expenses:			
Engineering and development	5,258	B) (3,805)	1,453
Selling and administrative	13,973	B) (8,326)	5,647
Asset writedowns	9,251	A) (9,251)	--
Amortization of goodwill	672	--	672
	29,154	(21,382)	7,772
Operating loss	(30,062)	22,988	(7,074)
Other income (expense):			
Equity in earning (loss)			

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of joint venture		C) (4,282)	(4,282)
Interest expense	(798)	--	(798)
Interest income and other	1,288	B) (890)	398
	-----	-----	-----
	490	(5,172)	(4,682)
	-----	-----	-----
Loss before income taxes	(29,572)	17,816	(11,756)
Income tax expense			
Net loss	\$ (29,572)	\$ 17,816	\$ (11,756)
Dividends on preferred stock	966	--	966
	-----	-----	-----
Loss allocable to common stockholders	\$ (30,538)	\$ 17,816	\$ (12,722)
	=====	=====	=====
Basic and diluted loss per share:			
Net loss per share	\$ (.37)	\$	\$ (.15)
	=====		=====
Weighted average number of common shares outstanding (thousands)	83,229		83,229
	=====		=====

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Pro Forma Adjustments

The pro forma adjustments in the accompanying pro forma financial statements are described below.

Balance Sheet:

- A) To record sale of OmniLynx related assets.
- B) To record contribution related to 33% interest in Intellect Technologies Inc.

Statements of Operations:

- A) To eliminate write-down of assets related to OmniLynx operations which occurred prior to sale of operations.
- B) To eliminate results of operations for OmniLynx operations from the Company's consolidated financial results.
- C) To record the Company's proportionate share of results of operations of joint venture on the equity method of accounting.

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