

As filed with the Securities and Exchange Commission on September \_\_, 1996

Registration No. 333-\_\_\_\_\_

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

TERA COMPUTER COMPANY  
(Exact name of registrant as specified in charter)

WASHINGTON  
(State or other jurisdiction  
of incorporation or organization)

93-0962605  
(IRS Employer  
Identification No.)

2815 Eastlake Avenue East  
Seattle, WA 98102-3027

(206) 325-0800  
(Address, including zip code, and telephone number,  
including area code, of principal executive offices)

James E. Rottsolk, President  
Tera Computer Company  
2815 Eastlake Avenue  
Seattle, WA 98102-3027  
(206) 325-0800

(Name, address, including zip code, and  
telephone number, including area code, of agent for service)

Copy to:  
Kenneth W. Johnson

Stoel Rives LLP  
One Union Square, 36th Floor  
Seattle, WA 98101-3197

Approximate date of commencement of proposed sale to the public:  
As soon as practicable after this registration becomes effective

If the only securities being registered on this Form are to be offered pursuant  
to dividend or interest reinvestment plans, please check the following box. / /

If any of the securities being registered on this Form are to be offered on a  
delayed or continuous basis pursuant to Rule 415 under the Securities Act of  
1933, other than securities offered only in connection with a dividend or  
interest reinvestment plan, check the following box. /x/

If this Form is filed to register additional securities for an offering pursuant  
to Rule 462(b) under the Securities Act, please check the following box and list  
the Securities Act registration statement number of the earlier effective  
registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered (1)	Amount to Be Registered	Proposed Maximum Offering Price Per Security (2)	Proposed Maximum Aggregate Offering Price (2)	Amount of Registration Fee
Common Stock, \$.01 par value(3) (7)	3,787,800	\$ 4.50	\$17,045,100	\$ 5,877.62
Common Stock Purchase Warrants(4)	1,180,000	\$ 1.375	\$ 1,622,500	\$ -0-
Common Stock issuable upon exercise of Sales Agent's Warrant (5) (6) (7)	378,780	\$ 4.50	\$ 1,704,510	\$ 587.76
Warrants issuable upon exercise of Sales Agent's Warrant(4) (5)	118,000	\$ 1.375	\$ 162,250	\$ -0-
Totals			\$20,534,360 =====	\$ 6,465.38 =====

- (1) All shares and Warrants are being registered for sale by the Selling Shareholders (including H.J. Meyers & Co., Inc.) and their respective assigns and transferees on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933.
- (2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933. The calculation of the registration fee is based on the last sale prices for the Common Stock and Warrants on September 23, 1996 as reported on the Nasdaq SmallCap Market.
- (3) Includes an aggregate of 2,360,000 shares of Common Stock held by the Selling Shareholders upon conversion of the Series A Convertible Preferred Stock and an aggregate of 1,427,800 shares of Common Stock issuable upon exercise of the Warrants.
- (4) Pursuant to the last sentence of Rule 457(g), there is no separate registration fee for the Warrants.
- (5) In connection with the 1996 Private Placement, the Company issued a Sales Agent's Warrant to the H.J. Meyers & Co., Inc., for 118,000 units, with an exercise price of \$6.80 per unit, each unit consisting of two shares of Series A Convertible Preferred Stock and one Warrant.
- (6) Includes 236,000 shares of Common Stock issuable upon conversion of the Series A Convertible Preferred Stock issuable upon exercise of the Sales Agent's Warrant and 142,780 shares of Common Stock issuable upon exercise of the Warrants issuable upon exercise of the Sales Agent's Warrant.
- (7) An indeterminate number of additional shares of Common Stock are to be registered hereunder, as provided in the Warrants and the Warrant, in the event provisions against dilution therein become operative.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said section 8(a), may determine.

PROSPECTUS

TERA COMPUTER COMPANY

4,166,580 Shares of Common Stock  
1,298,000 Common Stock Purchase Warrants

The Redeemable Common Stock Purchase Warrants (the "Warrants") and the Common Stock, \$.01 par value ("Common Stock"), including shares of Common Stock issuable upon exercise of the Warrants, of Tera Computer Company (the "Company") offered hereby (the "Securities") may be sold by certain shareholders of the Company (the "Selling Shareholders") from time-to-time in the over-the-counter market or otherwise. The Securities may be offered or sold from time to time by the Selling Shareholders at market prices then prevailing, in negotiated transactions or otherwise. Brokers or dealers will receive commissions or discounts from Selling Shareholders in amounts to be negotiated immediately prior to the sale. See "Selling Shareholders" and "Plan of Distribution." The Securities were sold by the Company to the Selling Shareholders in a private offering completed in July 1996 (the "1996 Private Placement"), including Securities issuable upon exercise of Sales Agent's Warrant sold to H.J. Meyers & Co., Inc., which acted as the Company's Sales Agent in the 1996 Private Placement. The Company will not receive any of the proceeds from the resale of the Common Stock or Warrants, although it will receive the proceeds from any exercise of the Warrants and the Sales Agent's Warrant.

The terms of the Warrants are identical to the warrants which the Company has issued publicly and are traded on the Nasdaq SmallCap Market. Each Warrant entitles the registered holder thereof to purchase, at any time, 1.21 shares of Common Stock at an exercise price of \$7.19 (a per share price of \$5.94) through March 24, 1998, and 1.25 shares of Common Stock at an exercise price of \$8.43 (a per share price of \$6.74) thereafter through September 24, 2000. These exercise prices and exercise ratios reflect an adjustment pursuant to antidilution provisions due to the Company's 1996 Private Placement and are subject to further adjustment under certain circumstances. The Warrants are subject to redemption by the Company at any time at \$0.05 per Warrant on 30 days' prior written notice to the Warrant holders (i) if the closing bid price of the Common Stock as reported on the National Association of Security Dealers, Inc. Automated Quotation System ("Nasdaq") averages in excess of 150% of the current exercise price of the Warrants for a period of 20 consecutive trading days ending within 15 days prior to the notice of redemption, or (ii) with the prior written consent of H.J. Meyers & Co., Inc.

The Common Stock and the Warrants are listed on the Nasdaq SmallCap Market under the symbols TERA and TERAW, respectively. On September 23, 1996, the closing prices for the Common Stock and the Warrants were \$4.50 and \$1.375, respectively.

THESE SECURITIES INVOLVE A HIGH DEGREE OF RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 4 FOR CERTAIN FACTORS RELATED TO THIS OFFERING.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

No person has been authorized to give any information or to make any representations in connection with this offering other than those contained in this Prospectus. This Prospectus does not constitute an offering in any jurisdiction in which such offering may not lawfully be made. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the respective dates as to which information has been given herein.

The date of this Prospectus is \_\_\_\_\_, 1996.

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#### THE COMPANY

The Company was formed to design, develop and market high performance general purpose parallel computer systems. Tera's Multithreaded Architecture System ("MTA system") is designed to address a wide range of scientific and engineering applications, such as simulation and visualization of complex mechanical and biochemical systems, as well as emerging commercial applications, such as database mining, information-on-demand and computer-aided design and visualization. The Company believes that its MTA system architecture represents a significant breakthrough in high performance computing that will enable the Company to offer systems with several times the price/performance of currently available commercial high performance computer systems. The Company believes that the MTA system overcomes the limitations of currently available commercial architectures by delivering a general purpose parallel, easy-to-program, scalable, very high performance computer system. The MTA system is designed to combine the very high computational price/performance levels of massively parallel processing with the ease of use of conventional shared memory programming. Typical MTA system configurations are expected to sell for between \$5 million and \$40 million.

The Company has substantially completed the design of its hardware components for inclusion in its initial prototype and has contracted with third-party suppliers for the manufacture of these components, most of which have been manufactured. The Company expects to complete its initial prototype in 1996 and, assuming receipt of a purchase order, to deliver its first production system within six months thereafter. See "Risk Factors Development Status of the MTA System; No Prototype" and "- Manufacturing Risks; Reliance on Third Party Sole Source Suppliers."

The Company was incorporated in Washington in December 1987. The Company's principal executive offices are located at 2815 Eastlake Avenue East, Seattle, Washington 98102-3027, and its telephone number is (206) 325-0800.

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"Tera" and "MTA" are trademarks of the Company. This Prospectus also contains and incorporates trademarks of other companies.

#### INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents previously filed by the Company with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are incorporated in this Prospectus by reference:

(a) The Company's Annual Report on Form 10-KSB for the year ended December 31, 1995;

(b) The Company's Quarterly Reports on Form 10-QSB for the quarters ended March 31, 1996 and June 30, 1996;

(c) The Company's Current Report on Form 8-K, dated July 15, 1996; and

(d) The description of the Company's Common Stock contained in the Company's 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 the Company's Registration Statement on Form 8-A (Registration No. 0-26820), including the amendment thereto on Form 8-A/A filed by the Company.

All reports and other documents subsequently filed by the Company pursuant to sections 13(a), 13(c), 14, and 15(d) of the Exchange Act prior to the termination of the offering shall be deemed to be incorporated by reference herein and to be a part hereof from the date of the filing of such reports and documents.

#### AVAILABLE INFORMATION

The Company has filed with the Commission a Registration Statement on Form S-3 under the Securities Act of 1933, as amended (the "Securities Act") with respect to the securities offered hereby. This Prospectus, which constitutes a part of the Registration Statement, omits certain of the information contained in the Registration Statement and the exhibits and schedules thereto on file with the Commission pursuant to the Securities Act and the rules and regulations of the Commission thereunder. For further information with respect to the Company and the Securities, reference is made to the Registration Statement and the exhibits and schedules thereto. The Registration Statement, including exhibits thereto, may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street N.W., Washington, D.C. 20549, and at the Commission's Regional Offices at 7 World Trade Center, Suite 1300, New York, New York 10048, and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, and copies may be obtained at the prescribed rates from the Public Reference Section of the Commission at its principal office in Washington, D.C. Statements contained in this Prospectus as to the contents of any contract or other document referred to are not necessarily complete and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement, each such statement being qualified in its entirety by such reference.

The Company's Common Stock and outstanding Warrants are registered with the Commission under Section 12(g) of the Exchange Act and, in accordance therewith, the Company files reports, proxy statements, and other information with the Commission. Such filings can be inspected and copied at the Commission's public reference rooms at the above-referenced addresses, at prescribed rates, or from the Commission's Website at "<http://www.sec.gov>."

The Company hereby undertakes to provide without charge to each person to whom a copy of this Prospectus has been delivered, including any beneficial owner, on the written or oral request of any such person, a copy of any or all of the incorporated documents, other than exhibits to such documents, unless such exhibits are specifically incorporated by reference therein. Requests shall be directed to Tera Computer Company, 2815 Eastlake Avenue East, Seattle, WA 98102-3027, Attention: President (telephone number (206) 325-0800). The information relating to the Company contained in this Prospectus does not purport to be comprehensive and should be read together with the information contained in the incorporated documents.

## RISK FACTORS

In addition to the other information in or incorporated by reference into this Prospectus, each prospective investor should carefully consider the following factors in evaluating the Company and its business before purchasing the securities offered hereby. No investor should purchase the Securities unless such investor can afford a complete loss of his or her investment. This Prospectus contains and incorporates by reference forwardlooking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to those set forth in the following Risk Factors and elsewhere in this Prospectus.

**DEVELOPMENT STAGE ENTERPRISE; HISTORY OF LOSSES.** The Company is a development stage enterprise that had an accumulated loss of approximately \$22.3 million as of June 30, 1996. The Company has experienced net losses in each year of operations and expects to incur substantial further losses while it builds its MTA system prototype and commences production, and possibly thereafter. The Company has had no revenue or earnings and does not expect to recognize revenue from the sale of its initial MTA system sooner than the fourth quarter of 1996, if ever. Whether the Company will achieve revenue or earnings will depend upon a number of factors, including its ability to design, develop and contract for the manufacture of and market the MTA system and to achieve broad market acceptance thereof. In addition, profitability will be dependent on, among other things, the level of revenue in any given period, the terms and conditions of sale or lease for an MTA system, the system model or models sold, and the Company's expense levels and manufacturing costs. There can be no assurance that the Company will be successful in completing the development of, and delivering and receiving payments for, the MTA system, or that it will be able to generate any sales or achieve a profitable level of operations in the future.

**DEVELOPMENT STATUS OF THE MTA SYSTEM; NO PROTOTYPE.** The development of a new very high performance computer system is a lengthy and technically challenging process and requires a significant investment of capital and other resources. Several companies in this market have recently experienced extreme financial difficulty, including Thinking Machines Corporation, Cray Computer Corporation, Kendall Square Research Corporation and Supercomputer Systems, Inc. Since its inception through June 30, 1996, the Company has expended approximately \$40.3 million to design and develop the MTA system. The hardware development effort has included design of integrated circuits, packaging and cooling systems and at-speed testing equipment. The software development effort has included design of compilers, an operating system and input-output software technology. The MTA system has been subject only to computer simulation, however, and the Company has not yet built its initial prototype. While most of the hardware components of the MTA system have been manufactured and tested, such components and software remain to be integrated successfully into a full system.

Assuming an MTA system prototype can be successfully developed, modifications to the hardware components, software and the integrated system still may be required. Development of system software is a difficult process, and there can be no assurance that the Company will be able to meet all of the technical challenges required to integrate and complete an MTA system that satisfies both internal and commercially acceptable performance specifications. Significant delays in completing the various hardware components or software, or in integrating the full system, would materially and adversely affect the Company's business and results of operations. Even if the Company is successful in developing its prototype, there can be no assurance that the Company's products will be commercially successful.

**MANUFACTURING RISKS; RELIANCE ON THIRD PARTY SOLE SOURCE SUPPLIERS.** The Company intends to subcontract the manufacture of substantially all of its hardware components, including integrated circuits, printed circuit boards, flex circuits and power supplies, the packaging of semiconductor components, and the assembly of printed circuit boards, on a sole source basis to third party suppliers, and there can be no assurance that such suppliers will be able to manufacture, package and assemble the components to the Company's design specifications. Manufacturing difficulties and limited yields, particularly of gallium arsenide

("GaAs") integrated circuits and advanced printed circuit boards and flex circuits, could materially and adversely affect the

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Company's ability to complete its prototype and deliver the MTA system. The manufacture of integrated circuits, and in particular the manufacture of GaAs integrated circuits, is a difficult and complex process. Minute impurities, difficulties in the fabrication process, defects in the masks used to print circuits on wafers or other factors can cause a substantial percentage of wafers to be rejected or numerous die on each wafer to be non-functional. The Company's suppliers may experience problems in achieving acceptable manufacturing yields for these or other reasons, resulting in substantial delays in the delivery of necessary hardware components to the Company and unacceptably high prices for those components, with a resulting loss of profitability or loss of competitiveness for the Company's products. The Company has experienced such yield problems already and these failures have forced the Company to redesign certain components for manufacture by alternative suppliers. This has caused delays in the fabrication of the Company's prototype as well as increased demands upon the Company's financial resources. There can be no assurance that the Company's efforts to obtain components in a timely manner that meet its design specifications will be successful.

Some of the Company's key suppliers are small companies with limited financial and other resources, and may be more likely to experience financial difficulties than larger, well established companies. Any or all of the Company's suppliers may make strategic changes in their product lines or services which may result in the delay or suspension of manufacture of the Company's components or systems. In the event of a reduction or interruption of supply of the Company's components, it could take the Company a considerable period of time to identify and qualify alternative suppliers to redesign its products as necessary and recommence manufacture. The Company currently uses chip packaging services of Unisys Corporation but believes that it will need to find an alternate provider of such packaging services. The Company's inability to obtain sufficient sole or limited source components as required, or to develop alternative sources of components or packaging services if and as required in the future, could result in the Company finding itself without a source of supply for its components or packaged components; this could materially impair the Company's ability to deliver its products, which would materially and adversely affect the Company's business and results of operations.

FUTURE CAPITAL NEEDS. The Company has raised additional equity capital through a private placement concluded in July 1996 which it believes will be sufficient when combined with its existing capital resources and revenue it anticipates receiving from the Department of Defense's Advanced Research Projects Agency ("ARPA") to satisfy its working capital requirements for ongoing operations through 1996. If the Company obtains an order for the sale of an MTA system, however, the Company anticipates that it may be required to raise additional capital in order to finance inventory and accounts receivables. The Company's actual capital needs, however, will depend upon numerous factors, including the progress of the Company's research and development activities, the ability of third-party suppliers to meet product commitments, the cost of increasing the Company's sales and marketing activities, the amount of cash generated from operations or government contracts, and the timing and terms of purchase orders for MTA systems, none of which can be predicted with certainty. There can be no assurance that the Company will not require additional capital sooner than currently anticipated. In addition, the Company is unable to predict the precise amount of future capital that it will require. There can be no assurance that any additional financing will be available to the Company on acceptable terms, or at all, when required by the Company. Consequently, the Company could be required to significantly reduce or suspend its operations, seek a merger partner or sell additional securities on terms that are highly dilutive to current investors. The inability to obtain financing could materially and adversely affect the Company's business and results of operations.

MARKETING RISKS; GOVERNMENT FUNDING AND REGULATION. The Company's first sales targets will be U.S. and foreign government agencies and research laboratories, which constitute more than one-half of the market for very high performance computer systems. The United States government historically has facilitated the development of, and has constituted a market for, new and enhanced very high performance computer systems. A change of policy by the United States government or foreign governments that results in a reduction of, or delays in, funding of certain high technology programs employing high performance computing could have a major impact on the market for very high performance computer systems, and would materially and adversely affect the Company's business, results of operations and need for capital.

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Most of the Company's potential customers already own or lease very high performance computer systems. Some of the Company's competitors may offer trade-in allowances or discounts to potential customers, and the Company may not be able to match such sales incentives. The Company may be required to provide discounts in order to make sales or be required to finance the leasing of its products, which would result in a deferral of the Company's receipt of cash for such systems. These developments could materially and adversely affect the Company's business and results of operations.

The United States government regulates the export of high performance computing systems such as the anticipated MTA system. There can be no assurance that the U.S. government will grant any necessary export licenses for the sale of MTA systems to foreign buyers. The Company's prospects for growth will depend in part on its ability to obtain export licenses for foreign sales, the delay or denial of which could materially and adversely affect the Company's business and results of operations.

In order to expand its market beyond the very high performance scientific market, and particularly beyond government agencies and research laboratories, to engineering and other commercial markets, the Company must be able to attract independent software vendors ("ISV's") to port their software application programs so that they will run on the MTA system. There can be no assurance that the Company will be able to induce ISV's to port their applications, and the failure to do so could materially and adversely affect the Company's business and results of operations.

MANAGEMENT OF GROWTH; DEPENDENCE ON KEY PERSONNEL. If the Company is successful in developing and marketing the MTA system, the Company believes it could undergo a period of rapid growth which could place a significant strain on its management, financial and other resources. The Company's ability to manage its growth will require it to continue to improve its operational and financial systems and to motivate and effectively manage its employees. If the Company grows, it will have to implement new financial, budgeting, management information and internal control systems. The success of the Company will depend on the ability of management to implement effectively these changes and to manage the Company's operations over the long term. Several senior management personnel have not yet been identified, including a chief financial officer and a chief sales executive. The Company's success also will depend in large part upon its ability to attract and retain highly skilled technical personnel to provide technological depth and support, to complete and enhance its first products and to develop new products. In addition, marketing and sales personnel will be needed. Competition for highly skilled management, technical, marketing and sales personnel is intense. There can be no assurance that the Company will be successful in attracting and retaining key management, technical, marketing and sales personnel, and its failure to do so would materially and adversely affect the Company's business and results of operations.

The Company is dependent on Burton J. Smith, the Company's Chairman of the Board and Chief Scientist, and James E. Rottsoik, the Company's Chief Executive Officer, and the loss of services of either could have a material



impact on the ability of the Company to achieve its business objectives. The Company has key man life insurance policies on the lives of Messrs. Smith and Rottsolk in the amount of \$2 million and \$1 million, respectively. The Company has no employment contracts with either Mr. Smith or Mr. Rottsolk or with any other employee.

QUARTERLY PERFORMANCE MAY VARY SIGNIFICANTLY. In the event that the Company is able to attain broad market acceptance of the MTA system, one or a few system sales may account for a substantial percentage of the Company's quarterly and annual revenue because of the anticipated high average sales price of the MTA system models and the timing of purchase orders and product acceptances. Because a number of the Company's prospective customers receive funding from the U.S. or foreign governments, the timing of orders from such customers may be subject to the appropriation and funding schedules of the relevant government agencies. The timing of orders and shipments also could be affected by other events outside the control of the Company, such as changes in levels of customer capital spending, the introduction or announcement of competitive products, the availability of components, currency fluctuations and international conflicts or economic crises. Because of these

factors, revenue, expenses, net income or loss and cash flow are likely to fluctuate significantly from quarter to quarter.

RAPID TECHNOLOGICAL CHANGE AND NEW PRODUCTS. The market for the Company's products is characterized by rapidly changing technology, accelerated product obsolescence and rapidly changing industry standards. The Company's success will depend upon its ability to complete development of the MTA system and to introduce new products and features in a timely manner to meet evolving customer requirements. There can be no assurance that the Company will be successful in these efforts. The Company's business and results of operations will be materially and adversely affected if the Company incurs delays in developing its products or if such products do not gain broad market acceptance. In addition, there can be no assurance that products or technologies developed by others will not render the Company's products or technologies noncompetitive or obsolete.

COMPETITION. The Company's competitors can be divided into two general categories: established companies that are well-known in the high performance computer market and new entrants capitalizing on developments in parallel processing and increased computer performance through networking.

The high performance computer market is highly competitive and is dominated by Cray Research. Other participants in the market include IBM Corporation ("IBM"), Intel Corporation ("Intel"), and foreign companies such as Fujitsu, Ltd., Hitachi, Ltd., and NEC Corporation. Each of these competitors has broader product lines and substantially greater research, engineering, manufacturing, marketing and financial resources than the Company.

A number of companies, including IBM, Intel, Silicon Graphics, Inc., Cray Research, Fujitsu Ltd. and Convex Computer Corporation, have developed or plan to develop massively parallel systems for the high performance computer market. Although to date this kind of system architecture has been limited in applicability and difficult to program, a breakthrough in architecture or software technology could change this situation. There can be no assurance that such a breakthrough will not occur, and such an advance would materially and adversely affect the Company's business and results of operations.

There can be no assurance that the performance of the MTA system will be competitive with the computer systems offered by the Company's competitors or that the Company will be able to compete successfully over time against new entrants or innovative competitors at the lower end of the market. Furthermore, periodic announcements by the Company's competitors of new high performance computer systems and price adjustments may materially and adversely affect the Company's business and results of operations. The market has experienced a

recent consolidation as Convex Computer Corporation was absorbed by Hewlett-Packard in 1995, Cray Research was acquired by Silicon Graphics, Inc. in 1996, and Intel has stated that it would cease directly marketing high performance computer systems.

PROPRIETARY RIGHTS. The Company relies on a combination of copyright and trade secret protection, nondisclosure agreements and licensing arrangements to establish, protect and enforce its proprietary rights. Despite the Company's efforts to safeguard and maintain its proprietary rights, there can be no assurance that the Company will be successful in doing so or that the Company's competitors will not independently develop or patent technologies that are substantially equivalent or superior to the Company's technologies.

Although the Company is not a party to any present litigation regarding proprietary rights, there can be no assurance that third parties will not assert intellectual property claims against the Company in the future. Such claims, if proved, could materially and adversely affect the Company's business and results of operations. In addition, although any such claims may ultimately prove to be without merit, the necessary management attention to and legal costs associated with litigation or other resolution of such claims could materially and adversely affect the Company's business and results of operations.

The laws of certain foreign countries do not protect intellectual property rights to the same extent or in the same manner as do the laws of the United States. Although the Company continues to implement protective measures and intends to defend its proprietary rights vigorously, there can be no assurance that these efforts will be successful.

SHARES ELIGIBLE FOR FUTURE SALE. Sale of substantial amounts of the Company's Common Stock or Warrants in the public market or the prospect of such sales could materially and adversely affect the market price of the Common Stock and Warrants. As of September 20, 1996, the Company had outstanding 3,936,843 shares of Common Stock and Warrants to purchase 3,071,461 shares of Common Stock. In addition, as of such date, the Company had outstanding options under its option plans to purchase an aggregate of 1,840,806 shares of Common Stock and had granted H.J. Meyers & Co., Inc., an investment banking firm, the right to purchase 170,000 shares of Common Stock and 85,000 Warrants exercisable for 102,850 shares of Common Stock (the "Representative's Warrant") and the right to purchase 236,000 shares of Series A Convertible Preferred Stock, convertible into 236,000 shares of Common Stock, and 118,000 Warrants exercisable for 142,780 shares of Common Stock (the "Sales Agent's Warrant"). Substantially all of the stock options to purchase Common Stock and 1,996,823 shares of the outstanding Common Stock are subject to lockup agreements under which the holders of such shares and options have agreed that, until March 1997, they will not sell, assign, hypothecate or pledge any of such shares of Common Stock of the Company owned by them, directly or indirectly, except with the prior written consent of H.J. Meyers & Co., Inc. Each employee of the Company is permitted, however, to sell up to 2,000 shares of Common Stock free of such lockup restrictions. H.J. Meyers & Co., Inc., in its discretion, may shorten or waive entirely the lock-up period either for individual shareholders or all shareholders. All of the shares purchased under the stock option plans are available for sale in the public market, subject in some cases to volume and other limitations, including the lock-up agreements referred to above.

Sales in the public market of substantial amounts of Common Stock (including sales in connection with an exercise of certain registration rights by one or more holders of approximately 1,705,000 shares of Common Stock) or the perception that such sales could occur could depress prevailing market prices for the Common Stock and Warrants. The existence of the Warrants, the Representative's Warrant, the Sales Agent's Warrant and any other options or warrants may prove to be a hindrance to future equity financing by the Company. Further, the holders of such warrants and options may exercise them at a time when the Company would otherwise be able to obtain additional equity capital on

terms more favorable to the Company.

POSSIBLE VOLATILITY OF STOCK PRICE. The trading price of the Company's Common Stock and Warrants could be subject to significant fluctuations in response to variations in quarterly operating results, changes in analysts' estimates, announcements of technological innovations by the Company or its competitors, general conditions in the very high performance computer industry and other factors. In addition, the stock market is subject to price and volume fluctuations that affect the market prices for companies in general, and small capitalization, high technology companies in particular, and are often unrelated to their operating performance.

REDEMPTION OF WARRANTS. The Warrants are subject to redemption at \$0.05 per Warrant on 30 days' prior written notice to the Warrantholders (i) if the closing bid price of the Common Stock as reported on Nasdaq averages in excess of 150% of the then current exercise price of the Warrants over a period of 20 consecutive trading days ending within 15 days of the notice of redemption, or (ii) with the prior written consent of H.J. Meyers & Co., Inc. In the event the Company elects to redeem the Warrants, such Warrants would be exercisable until the close of business on the date fixed for redemption in such notice. If any Warrant called for redemption is not exercised by such date, it will cease to be exercisable and the holder will be entitled only to the redemption price. If the Company chooses to exercise such right to redeem at a time which requires the consent of H.J. Meyers & Co., Inc., H.J. Meyers & Co., Inc. may use its sole discretion in determining whether to grant or withhold such consent. H.J. Meyers & Co., Inc. is under no obligation to grant or withhold such consent under any circumstances, regardless of the potential effect of such decision on the Company, its shareholders or the Warrantholders. There can be no assurance that if the Company chooses to exercise its right

to redeem the Warrants at a time that is not advantageous to the holders of the Warrants, H.J. Meyers & Co., Inc. will withhold its consent to such redemption, or that if the Company chooses to exercise its right to redeem the Warrants at a time that is advantageous to the Company and the shareholders, H.J. Meyers & Co., Inc. will grant such consent.

POSSIBLE ILLIQUIDITY OF TRADING MARKET; REDUCTION IN PUBLIC FLOAT. The Common Stock and the Warrants are quoted on the Nasdaq SmallCap Market (the "Market"). The Market may be significantly less liquid than the Nasdaq National Market. The number of shares of Common Stock and Warrants available for resale in the trading market is limited because of trading restrictions on shares of Common Stock and Warrants owned by affiliates and the lockup agreements. Moreover, if the Company should continue to experience losses from operations, it may be unable to maintain the standards for continued quotation on the Market, and the Common Stock and the Warrants could be subject to removal therefrom. If such removal were to occur, trading, if any, in the Common Stock and the Warrants henceforth would be conducted in the over-the-counter market on an electronic bulletin board established for securities that do not meet the listing requirements for the Market, or in what are commonly referred to as the "pink sheets." As a result, an investor would find it more difficult to dispose of, or to obtain accurate quotations for the price of, the Company's securities. In addition, such removal would subject the Company's securities to so-called "penny stock" rules that impose additional sales practice and market making requirements on broker-dealers who sell and/or make a market in such securities. Consequently, removal from the Market could affect the ability or willingness of broker-dealers to sell and/or make a market in the Company's securities and the ability of purchasers of the Company's securities to sell their securities in the secondary market. In addition, if the market price of the Company's Common Stock falls to below \$5.00 per share, the Company may become subject to certain penny stock rules even if still quoted on the Market. While such penny stock rules should not affect the quotation of the Company's Common Stock on the Market, such rules may further limit the market liquidity of the Common Stock and Warrants and the ability of investors to sell securities in the secondary

market.

NO ANTICIPATED DIVIDENDS. The Company has not previously paid any dividends on its Common Stock and for the foreseeable future intends to continue its policy of retaining any earnings to finance the development and expansion of its business.

EFFECT OF ANTITAKEOVER PROVISIONS. Certain provisions of the Company's Restated Articles of Incorporation and Restated Bylaws and the laws of the State of Washington could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of the Company. Such provisions could limit the price that certain investors might be willing to pay in the future for shares of Common Stock. The Company is authorized to issue Preferred Stock, without shareholder approval, with rights senior to those of the Common Stock and to impose various procedural and other requirements that could make it more difficult for shareholders to effect certain corporate actions.

LIMITATIONS ON LIABILITY AND INDEMNIFICATION MATTERS. As permitted by the Washington Business Corporation Act, the Company has included in its Restated Articles of Incorporation a provision to eliminate the personal liability of its directors for monetary damages for breach or alleged breach of their fiduciary duties as directors, subject to certain exceptions. In addition, the Bylaws of the Company provide that the Company is required to indemnify its directors under certain circumstances, including those in which indemnification would otherwise be discretionary, and the Company is required to advance expenses to its officers and directors as incurred in connection with proceedings against them for which they may be indemnified.

#### SELLING SHAREHOLDERS

On July 11, 1996, the Company completed the 1996 Private Placement in which the Company raised \$8,024,000 through the sale of 1,180,000 units at \$6.80 per unit, each unit consisting of two shares of Series A Convertible Preferred Stock and one Warrant. H.J. Meyers & Co., Inc., acted as the Company's Sales Agent, and in connection with this offering, the Company issued a Sales Agent's Warrant to H.J. Meyers & Co., Inc. for 118,000 units, with an exercise price of \$6.80 per unit.

As part of the 1996 Private Placement, the Company stated that it would register the resale of the shares of Common Stock underlying the shares of Series A Convertible Preferred Stock and the Warrants, and the resale of the Warrants, including the Series A Convertible Preferred Stock and Warrants issuable upon exercise of the Sales Agent's Warrant. Pursuant to its terms, the Series A Convertible Preferred Stock is automatically converted into shares of Common Stock on a one-for-one basis upon the effectiveness of the Registration Statement of which this Prospectus is part. Except as indicated below, no Selling Shareholder is a director or executive officer of the Company or has a material relationship with the Company.

Selling Shareholder -----	Common Stock -----	Warrants(1) -----
American High Growth Equities Retirement Trust	147,058	73,529
Bobby V. Abraham	15,000	7,500
Banque Francais de L'Orient	99,558	49,779
Gerald V. Beemiller	7,352	3,676
BFG Investment Co.	400,000	200,000
George L. Black, Jr. Trust	7,352	3,676

C.B. Equities Retirement Trust	60,000	30,000
William Chan and Evelyn Chan	14,704	7,352
John Chenault	14,704	7,352
Robert M. Colkitt & Mary Jean Colkitt	82,350	41,175
Comiteau Family Partnership	30,588	15,294
Diamond Import Group, Inc.	14,704	7,352
Daniel J. & Nancy B. Evans(2)	11,764	5,882
Philip Evans	3,822	1,911
Leon Feldan	7,352	3,676
George Fink	7,352	3,676
First Washington Profit Sharing Plan	15,000	7,500
William T. Frantz(3)	294,116	147,058

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Earl Freeman	58,822	29,411
Phillip F. Frink, Jr.	10,000	5,000
David A. Gavrich	7,352	3,676
Charles A. Graven	7,352	3,676
Omkarnath R. Gupta	15,378	7,689
Omkarnath R. Gupta - IRA	43,726	21,863
Richard Hammons	23,694	11,847
Maxine L. Koblenz	3,000	1,500
Robert Kutnick	14,704	7,352
Charles M. Levin and Yvonne Michelle Levin	14,704	7,352
Mike Levkovitz	7,352	3,676
Philip Markiewicz	7,352	3,676
Kenneth Mastrilli	14,704	7,352
Alan O. and Carrol W. Maxwell(3)	89,874	44,937
Alan O. Maxwell Keogh Plan & Trust(3)	69,998	34,999
Carrol W. Maxwell	7,260	3,630
John McAuliffe	16,176	8,088
McMurtry Family Trust	88,234	44,117
Meinl Bank	41,176	20,588
Merit Partners	7,352	3,676
H.J. Meyers & Co., Inc.(4)	236,000	118,000
James E. Navarre & Sarah Navarre	7,352	3,676
Dorothy L. Nelson	8,000	4,000
Brian Ofria & Laura Ofria Family Trust	14,704	7,352
Paribas Bank	35,294	17,647
Quentin K. And Virginia W. Peterson	14,000	7,000
Jeffrey T. Pohlman and Linda J. Pohlman	14,704	7,352

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Charles Puglisi	7,352	3,676
James R. Ratliff	14,704	7,352

John H. Resing Retirement Plan	14,706	7,353
Robert H. Rosner IRA	7,352	3,676
Steven Rosner Money Purchase Plan	14,704	7,352
Alan J. Rubin	29,410	14,705
Richard M. Russell	14,704	7,352
Harry A. Salzman & Deborah R. Salzman	14,704	7,352
Mike Smith	7,352	3,676
Steven F. Sommers	14,704	7,352
The Donald & Lucy Stoner Trust	14,704	7,352
Snehal Sutaria and Dipti Sutaria	14,704	7,352
Swiss Bank Corporation	88,234	44,117
Ronald C. Thomas & Nancy L. Thomas Family Trust	7,352	3,676
Darwin Ting	29,410	14,705
Tolchin Family Trust	14,704	7,352
Jane and Larry Tucker	29,410	14,705
WBW Trust Number One(3)	60,000	30,000
John H. Waechter	13,560	6,780
Steve Weinberg	7,352	3,676
Dr. Lawrence S. Wiseman IRA	29,410	14,705
Donald G. Witmer	7,352	3,676
Arnold Wong	7,352	3,676
Menno van Wyk	7,020	3,510
Lina Suet Ming Yam	14,704	7,352
	-----	-----
TOTALS	2,596,000	1,298,000
	=====	=====

(1) Each Warrant presently is exercisable into 1.21 shares of Common Stock at an exercise price of \$7.19 (a per share price of \$5.94) through March 24, 1998, and 1.25 shares of Common Stock at an exercise price of \$8.43 (a per share price of \$6.74) thereafter through September 24, 2000.

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- (2) Mr. Evans is a director of the Company.
- (3) A "beneficial owner" of more than 5% of the Company's Common Stock within the meaning of Item 403 of Regulation S-B.
- (4) These shares of Common Stock and Warrants are issuable upon exercise of the Sales Agent's Warrant, which may be exercised at \$6.80 per unit, each unit consists of two shares of Series A Convertible Preferred Stock (convertible into shares of Common Stock on a one-for-one basis) and one Warrant.

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#### PLAN OF DISTRIBUTION

The Securities may be sold from time to time by the Selling Shareholders or by pledgees, donees, transferees or other successors in interest. Such sales may be made on stock exchanges (including the Nasdaq SmallCap Market) or otherwise at prices and at terms then prevailing or at prices related to the then current market price, or in negotiated transactions. The Securities may be sold by one or more of the following methods: (a) block

trades in which the broker or dealer so engaged will attempt to sell the Securities as agent but may position and resell a portion of the block as principal to facilitate the transaction; (b) purchases by a broker or dealer as principal, in a market maker capacity or otherwise, and resale by such broker or dealer for its account pursuant to this Prospectus; and (c) ordinary brokerage transactions and transactions in which the broker solicits purchasers. In effecting sales, brokers or dealers engaged by the Selling Shareholders may arrange for other brokers or dealers to participate. Brokers or dealers will receive commissions or discounts from the Selling Shareholders in amounts to be negotiated immediately prior to the sale. The Selling Shareholders, such brokers or dealers, and any other participating brokers or dealers may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales. In addition, any securities covered by this Prospectus which qualify for sale pursuant to Rule 144 under the Securities Act may be sold under Rule 144 rather than pursuant to this Prospectus.

#### EXPERTS

The financial statements of the Company as of December 31, 1994 and 1995 and for each of the two years in the period ended December 31, 1995, incorporated by reference into this Prospectus, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports with respect thereto. Such financial statements have been so incorporated in reliance on the reports of such firm given upon their authority as experts in accounting and auditing.

#### LIMITATION OF LIABILITY AND INDEMNIFICATION

The Company's Restated Articles of Incorporation provide that, to the fullest extent permitted by the Washington Business Corporation Act, the Company's directors will not be liable for monetary damages to the Company or its shareholders. The Company's Restated Bylaws provide that the Company will indemnify its directors and, by action of the Board of Directors, may indemnify its officers, employees and other agents of the Company 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. See "Risk Factors - Limitations on Liability and Indemnification Matters."

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

#### PART II

##### INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

All expenses in connection with the issuance and distribution of the securities being registered will be paid by the Company. The following is an itemized statement of these expenses:

Registration fee.....	\$ 6,465.38
Nasdaq listing fee.....	\$ 7,500.00

Legal fees.....	\$ 5,000.00
Accountant's Fees.....	\$ 3,000.00
Miscellaneous.....	\$ 5,034.62
	-----
Total.....	\$27,000.00
	=====

Item 15. Indemnification of Officers and Directors.

Article XII of the Company's Articles of Incorporation and Section 11 of the Company's Bylaws require indemnification of directors, officers, employees and agents of the company to the fullest extent permitted by the Washington Business Corporation Act (the "Act"). Sections 23B.08.500 through 23B.08.000 of the Act authorize a court to award, or a corporation's board of directors to grant, indemnification to directors and officers on terms sufficiently broad to permit indemnification under certain circumstances for liabilities arising under the Securities Act.

Section 23B.08.320 of the Act authorizes a corporation to limit a director's liability to the corporation or its shareholders for monetary damages for acts or omissions as a director, except in certain circumstances involving intentional misconduct, self-dealing or illegal corporate loans or distributions, or any transaction from which the director personally receives a benefit in money, property or services to which the director is not legally entitled. Article XI of the Company's Articles of Incorporation contains provisions implementing, to the fullest extent permitted by Washington law, such limitations on a director's liability to the Company and its shareholders.

Item 16. Exhibits.

- 3.1 Restated Articles of Incorporation of the Company(1)
- 3.2 Restated Bylaws of the Company(1)
- 3.3 Statement of Rights and Preferences of the Series A Convertible Preferred Stock of the Registrant, as filed with the Secretary of State of the State of Washington on May 14, 1996(2)
- 4.1 Warrant Agreement, dated as of September 25, 1995, between the Company and First Interstate Bank of Washington, N.A.(1)

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- 4.2 Warrant Agreement, dated May 14, 1996, between the Company and First Interstate Bank of Washington, N.A.(2)
- 5 Opinion of Stoel Rives LLP
- 23.1 Consent of Deloitte & Touche LLP
- 23.2 Consent of Stoel Rives LLP (included in Exhibit 5)
- 24 Power of Attorney (see signature page)

-----

(1) Incorporated by reference to the Company's Registration Statement on Form SB-2 (Registration No. 33- 95460-LA), filed on August 3, 1995

(2) Incorporated by reference to Post-Effective Amendment No. 2 to the



Item 17. Undertakings.

(a) The undersigned registrant hereby undertakes:

- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement
  - (i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended;
  - (ii) To reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) that, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement; and
  - (iii) To include any additional or changed material information with respect to the plan of distribution;provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is incorporated by reference from periodic reports filed by the registrant pursuant to Section 13 or Section 15(d) of the Exchange Act.
- (2) That, for the purpose of determining any liability under the Securities Act, each post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
- (3) To remove from registration by means of a post-effective amendment any of the securities being registered that remain unsold at the termination of the offering.

- (b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
- (c) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment

by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Seattle, State of Washington, on September 26, 1996.

TERA COMPUTER COMPANY

By: /s/ James E. Rottsolk

-----  
James E. Rottsolk  
Chief Executive Officer

Each of the undersigned directors of TERA COMPUTER COMPANY hereby constitutes and appoints James E. Rottsolk and Burton J. Smith, and each of them, his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments or post-effective amendments to this Registration Statement, and any other instruments or documents that said attorneys-in-fact and agents may deem necessary or advisable to enable Tera Computer Company to comply with the Securities Act of 1933, as amended, and any requirements of the Securities and Exchange Commission in respect thereof, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission, in connection with the registration under the Securities Act of 1933, as amended, of shares of Common Stock and Redeemable Common Stock Purchase Warrants of Tera Computer Company, granting unto said attorneys-in-fact and agents and each of them full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that each such attorney-in-fact and agent, or his substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registration Statement has been signed by the following persons in the capacities indicated below on the 26th day of September, 1996:

Signature and Title

/s/ Burton J. Smith  
-----  
Burton J. Smith  
Chairman of the Board of Directors

/s/ Daniel J. Evans  
-----  
Daniel J. Evans, Director

/s/ James E. Rottsolk

/s/ Kenneth W. Kennedy

-----  
James E. Rottsolk  
Chief Executive Officer, Chief Financial Officer,  
Chief Accounting Officer, and Director

-----  
Kenneth W. Kennedy, Director

/s/ David N. Cutler

/s/ John W. Titcomb, Jr.

-----  
David N. Cutler, Director

-----  
John W. Titcomb, Jr., Director

EXHIBIT INDEX

SEQUENTIAL EX. NO.	DESCRIPTION	PAGE NO.
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4.2	Warrant Agreement, dated May 14, 1996, between the Company and First Interstate Bank of Washington, N.A.(2)	--
5	Opinion of Stoel Rives LLP	22
23.1	Consent of Deloitte & Touche LLP	23
23.2	Consent of Stoel Rives LLP (included in Exhibit 5)	22
24	Power of Attorney (see signature page)	20

- 
- (1) Incorporated by reference to the Company's Registration Statement on Form SB-2 (Registration No. 33-95460-LA), filed on August 3, 1995.
- (2) Incorporated by reference to Post-Effective Amendment No. 2 to the Company's Registration Statement on Form SB-2 (Registration No. 33-95460-LA), filed on August 14, 1996.

September 26, 1996

The Board of Directors  
Tera Computer Company

Dear Sirs:

We have acted as counsel for Tera Computer Company (the "Company") in connection with the filing of a Registration Statement on Form S-3 (the "Registration Statement") under the Securities Act of 1933 relating to the resale of shares of Common Stock and Redeemable Common Stock Purchase Warrants, including the shares of Common Stock issuable upon exercise of the Warrants (together, the "Securities") of the Company by the holders thereof (the "Selling Shareholders"). We have reviewed the corporate actions of the Company in connection with this matter and have examined those documents, corporate records, and other instruments we deemed necessary for the purposes of this opinion.

Based on the foregoing, it is our opinion that:

1. The Company is a corporation duly organized and validly existing under the laws of the state of Washington; and
2. The Securities have been duly authorized and are or, when issued pursuant to their terms, will be, legally issued, fully paid and nonassessable.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement.

Very truly yours,

STOEL RIVES LLP

## INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement of Tera Computer Company on Form S-3 of the reports of Deloitte & Touche LLP dated January 30, 1996, incorporated by reference in the Annual Report on Form 10-KSB of Tera Computer Company for the year ended December 31, 1995, and to the reference to Deloitte & Touche LLP under the heading "Experts" in the Prospectus, which is part of this Registration Statement.

DELOITTE & TOUCHE LLP

Seattle, Washington

September 26, 1996