

TERAFORCE TECHNOLOGY CORP  
 Form 4  
 October 27, 2004

**FORM 4**

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
 GARRISON ROBERT E II

2. Issuer Name and Ticker or Trading Symbol  
 TERAFORCE TECHNOLOGY CORP [TERA]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)  
 600 TRAVIS, SUITE 3000

3. Date of Earliest Transaction (Month/Day/Year)  
 10/25/2004

Director  10% Owner  
 Officer (give title below)  Other (specify below)

(Street)  
 HOUSTON, TX 77002

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

(City) (State) (Zip)

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) |     |       |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|-----|-------|
|                                 |                                      |  |                                | (A) or (D)  | Code  | V  | Amount                            | (D) | Price |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security | 2. Conversion or Exercise | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any | 4. Transaction Code | 5. Number of Derivative Securities | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Security (Instr. 3 and 4) |
|---------------------------------|---------------------------|--------------------------------------|-----------------------------------|---------------------|------------------------------------|--|---|
|---------------------------------|---------------------------|--------------------------------------|-----------------------------------|---------------------|------------------------------------|--|---|

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| (Instr. 3)                      | Price of Derivative Security | (Month/Day/Year) | (Instr. 8) | Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | Code | V | (A)       | (D) | Date Exercisable | Expiration Date | Title                         | Am Num Sha |
|---------------------------------|------------------------------|------------------|------------|--|------|---|-----------|-----|------------------|-----------------|-------------------------------|------------|
| conversion right <sup>(1)</sup> | \$ 0.18                      | 10/25/2004       |            |  | P    |   | 611,111   |     | 10/25/2004       | 01/30/2006      | Common Stock par value \$0.01 | 61         |
| warrant <sup>(1)</sup>          | \$ 0.2                       | 10/25/2004       |            |  | P    |   | 1,222,222 |     | 10/25/2004       | 10/31/2010      | Common Stock par value \$0.01 | 1,2        |

## Reporting Owners

| Reporting Owner Name / Address  | Relationships |           |         |       |
|---|---------------|-----------|---------|-------|
|   | Director      | 10% Owner | Officer | Other |
| GARRISON ROBERT E II<br>600 TRAVIS<br>SUITE 3000<br>HOUSTON, TX 77002 |               | X         |         |       |

## Signatures

/s/ Robert E. Garrison II 10/27/2004

         \*\*Signature of Reporting Person Date

## Explanation of Responses:

\* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Mr. Garrison has provided a limited guaranty in the amount of \$148,500 as partial security for a \$600,000 bank credit facility entered into by the Company on October 25, 2004. Pursuant to a Reimbursement Agreement related to this guaranty, Mr. Garrison has the right to (1) acquire 611,111 shares of common stock for \$110,000 in cash. The proceeds of this purchase must be used by the Company to retire amounts outstanding under the bank credit agreement and to obtain the release of the guaranty. In addition, Mr. Garrison has been issued warrants to purchase 1,222,222 shares of common stock. The warrants have an exercise price of \$0.20 per share.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.