

Room 4561
November 7, 2005

Mr. Peter J. Ungaro
Chief Executive Officer and President
Cray, Inc.
411 First Avenue South
Suite 600
Seattle, WA 98104-2860

Re: Cray, Inc.
Form 10-K for Fiscal Year Ended December 31, 2004
Filed April 1, 2005
Form 10-Q for the Quarter Ended June 30, 2005
Filed August 9, 2005
Form 8-K filed February 7, 2005
Form 8-K filed April 15, 2005
File No. 000-26820

Dear Mr. Ungaro:

We have reviewed your response to our letter dated August 18, 2005 in connection with our review of the above referenced filings and have the following comments. Please note that we have limited our review to the matters addressed in the comments below. We may ask you to provide us with supplemental information so we may better understand your disclosure. Please be as detailed as necessary in your explanation. After reviewing this information, we may raise additional comments.

Please understand that the purpose of our review process is to assist you in your compliance with the applicable disclosure requirements and to enhance the overall disclosure in your filing. We look forward to working with you in these respects. We welcome any questions you may have about our comments or any other aspect of our review. Feel free to call us at the telephone numbers listed at the end of this letter.

Form 10-K for the Fiscal Year Ended December 31, 2004

Note 12. Income Taxes, page F-16

1. In response to our Prior Comment No. 4 you indicate that forecasts for 2004 were profitable based on continuing sales of the Cray X1 system and successful introduction of new products and that your forecasts, along with the profitability achieved in the previous two fiscal years, was your basis for reducing your valuation allowance by \$58.5 million in the fourth quarter of fiscal 2003. Provide us with your analysis that supports the reversal of the full valuation allowance in the fourth quarter of fiscal 2003 and your apparent

determination that it was more likely than not you would generate taxable income to fully realize your deferred tax assets. Also in your response tell us how you considered paragraphs 17 through 25 of SFAS 109 in determining that the valuation allowance should be reversed in the fourth quarter of 2003.

2. We note you disclosed a material weakness in internal controls over the determination and reporting of the provision for income taxes, including adjustments to deferred taxes (Item 9A of 2004 10-

K). Tell us the deficiencies in your internal controls over adjustments to deferred taxes and how, if at all, it impacted your assessment to reverse the deferred tax valuation allowance in the fourth quarter of 2003.

3. It appears from your disclosures in the business section and MD&A that the sales cycle for your products is lengthy and that your business is characterized by low volume, high dollar transactions. Tell us the length of your sales cycle, your sales backlog as of December 31, 2003 and March 31, 2004 and whether you achieved your forecasted revenue and net income/loss results for the quarter ending

March 31, 2004. In addition, tell us how the net loss incurred in the quarter ended March 31, 2004 impacted your assessment that it was more likely than not you would fully realize the deferred tax asset recorded in your December 31, 2003 financial statements filed on April 1, 2004.

4. In your response to our Prior Comment No. 4 you indicate that you had cumulative pre-tax income over the past three years. Considering you reported a pre-tax loss of \$34.2 million in fiscal 2001 tell us the three years in which you had pre-tax income.

Form 8-K filed on April 15, 2005

5. Please refer to comment 7 in our letter dated August 18, 2005. We have reviewed your response and continue to believe that you have not complied with Item 304 of Regulation S-K. Note that although Deloitte & Touche LLP (D&T) informed your audit committee that they would not stand for re-election on April 11, 2005, D&T was still engaged to provide its attestation report on management's assessment of internal control over financial reporting and to review your interim financial information to be included in your 10-Q for the quarter ended March 31, 2005. You have not disclosed whether there were any disagreements between you and your former accountants through the date they completed their services. Therefore, we reissue our previous comment to amend this Form 8-K to state whether, during the two most recent fiscal years and any subsequent period through the date your former accountants resigned or were not engaged to do any further work, there were any disagreements on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of the former accountant, would have caused it to make reference to the subject matter of the disagreement(s) in connection with its reports. Additionally, to the extent you make changes to the Form 8-K to comply with this comment,

please obtain and file an updated Exhibit 16 letter from the former accountants stating whether the accountant agrees with the statements made in your revised Form 8-K.

Form 10-Q for the Quarter Ended June 30, 2005

Item 4 - Controls and Procedures, Page 36

6. We note that your disclosure controls and procedures are not effective at the end of the period covered by your Form 10-Q due to material weaknesses in your internal control over financial reporting identified in your 2004 Form 10-K/A. Tell us whether you identified any additional material weaknesses or significant deficiencies, that when aggregated constitute a material weakness, in your internal controls over financial reporting through the end of the period covered by your June 30, 2005 10-Q that were not disclosed in your 2004-10-K/A. If so, amend your filing to disclose these material weaknesses.

7. We note you disclose certain remedial actions implemented to address the material weaknesses and significant deficiencies in your internal controls over financial reporting and that you are involved in ongoing efforts to address the material weaknesses and significant deficiencies addressed in your 2004 review. Revise to disclose the remedial actions implemented, in addition to hiring a CFO and full time director, if any, to address your material weaknesses and significant deficiencies in internal controls over financial reporting. In addition tell us, and revise to disclose, the remedial actions you have implemented to address the ineffectiveness of your disclosure controls and procedures.

Please respond to these comments within 10 business days or tell us when you will provide us with a response. Please understand that we may have additional comments after reviewing your responses to our comments.

You may contact April Coleman, Staff Accountant, at (202) 551-3458, Thomas Ferraro, Senior Staff Accountant, at (202) 551-3225 or me at (202) 551-3730 you have questions regarding these comments.

Sincerely,

Kathleen Collins
Accounting Branch Chief