

TERAYON COMMUNICATION SYSTEMS

Form 424B3

May 10, 2001

Filing Pursuant to Rule 424(b)(3)
Registration Statement No. 333-48272

PROSPECTUS SUPPLEMENT NO. 1 DATED MAY 10, 2001
TO PROSPECTUS DATED NOVEMBER 7, 2001

TERAYON COMMUNICATION SYSTEMS, INC.

2,969,062 Shares of Common Stock

Please read this prospectus supplement in conjunction with the prospectus dated November 7, 2001 (the "Prospectus"). The table on page 19 of the Prospectus setting forth information concerning the selling stockholders is superseded by the following table:

SELLING STOCKHOLDERS

In our acquisition of Mainsail which we consummated in September 2000, we issued to all of the selling stockholders shares of our common stock, and we agreed to register all of those shares for resale. We also agreed to use reasonable efforts to keep the registration statement effective until September 30, 2001. Our registration of the shares of common stock does not necessarily mean that the selling stockholders will sell all or any of the shares.

The following table sets forth certain information regarding the beneficial ownership of the common stock, as of May 10, 2001, by each of the selling stockholders.

The information provided in the table below with respect to each selling stockholder has been obtained from that selling stockholder. Except as otherwise disclosed below, none of the selling stockholders has, or within the past three years has had, any position, office or other material relationship with us. Because the selling stockholders may sell all or some portion of the shares of common stock beneficially owned by them, we cannot estimate the number of shares of common stock that will be beneficially owned by the selling stockholders after this offering. In addition, the selling stockholders may have sold, transferred or otherwise disposed of, or may sell, transfer or otherwise dispose of, at any time or from time to time since the date on which they provided the information regarding the shares of common stock beneficially owned by them, all or a portion of the shares of common stock beneficially owned by them in transactions exempt from the registration requirements of the Securities Act of 1933.

Beneficial ownership is determined in accordance with Rule 13d-3(d) promulgated by the Commission under the Securities Exchange Act of 1934. Unless otherwise noted, each person or group identified possesses sole voting and investment power with respect to shares, subject to community property laws where applicable. None of the

share amounts set forth below represents more than 1% of our outstanding stock as of May 9, 2001, adjusted as required by rules promulgated by the SEC.

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Selling Stockholder	Number of Shares	Being Offered	Held in Escrow
Boris Zats	490,032	490,032	265,768
John Walsh	144,511	144,511	86,706
Yuri Zats	147,270	147,270	86,981
Alex Lubivy	150,030	150,030	87,257
Lucy Zats	144,511	144,511	86,706
Vlad Cherednichenko	144,511	144,511	86,706
A. Lailan Fell TTEE U/A DTD 08/25/1995 By Alethea Lailan Fell Trust	144	144	14
Andrew Alcon	558	558	56
Antoinette M. Belt	58	58	5
Benedict A. Itri	58	58	5
Billante Living Trust dtd Jan. 17, 2000 c/o Andrea Billante, Trustee	13	13	1
Bobby R. Johnson, Jr.	58	58	5
Brody Family Trust U/D/T 8/15/86; William R. Brody, Trustee	288	288	29
C. Preston Butcher and Carolyn F. Butcher, Trustees of the CPB/CFB Revocable Trust U/D/T dated February 2, 1998	288	288	29
Chad W. Keck	577	577	57
Charles S. and Nan Y. Strauch Living Trust dtd 10/26/82; Charles/Nan Strauch, Trustees	57	57	5
Charles S. and Nan Y. Strauch Living Trust dtd 10/26/82; Charles/Nan Strauch, Trustees	577	577	57
Church Pension Fund	43,245	43,245	4,324
Civil Aviation Authority Pension Scheme; Nortrust Nominees Limited, Custodian	17,298	17,298	1,729
Computrol Limited, BVI	5,766	5,766	577
Barbara N. Lubash	1,524	1,524	152
John Breese Mumford and Christine Joyce Mumford Trusts, U/D/T dtd 10/13/83; John Breese Mumford and Christine Joyce Mumford, Trustees	27,562	27,562	2,756
John Breese Mumford and Christine Joyce Mumford Trusts, U/D/T dtd 10/13/83; John Breese Mumford and Christine Joyce Mumford, Trustees	1,442	1,442	144
Milder Community Property Trust dtd 11/7/91; Donald B. and Terri L. Milder, Trustees	33,522	33,522	3,352
Mumford Special Trust #1 dtd 12/17/87; Kenneth A. Eldred, Trustee	1,490	1,490	149
Mumford Special Trust #2 dtd 12/17/87; Kenneth A. Eldred, Trustee	1,490	1,490	149
Mumford Special Trust #3 dtd 12/17/87; Kenneth A. Eldred, Trustee	1,490	1,490	149
Mumford Special Trust #4 dtd 12/17/87; Kenneth A. Eldred, Trustee	1,490	1,490	149
Rich Shapero	33,522	33,522	3,352
Robert A. Hoff	33,522	33,522	3,352
Seth Neiman	16,761	16,761	1,676
Dench Living Trust dtd 6/16/94; Robert	577	577	57

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H. Dench and Gloria E. Dench, Trustees			
Douglas Metz	58	58	5
Gary Rosenbach	288	288	29
George A. Needham	577	577	57
Harvard Private Capital Holdings, Inc.	57,660	57,660	5,766
Heimbuck Family Trust dtd 8/13/85; Jeffrey Heimbuck, Trustee	577	577	57
Howard S. Flagg	58	58	5
John F. Nicholson	289	289	29
John Selling	144	144	14
Kenneth and Roberta Eldred Revocable Trust, U/A dtd 1/28/83; Kenneth and Roberta Eldred, Trustees	1,442	1,442	144
Leeway & Co.	33,484	33,484	3,348
Lorinda Mosca	10	10	1

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Louis E. Hallman, III and Sherry L. Meisman Family Trust, Louis E. Hallman, III & Sherry L. Meisman, Co-Trustees U.T.D. 5/29/98	288	288	29
Lydia Anderson	144	144	14
Massachusetts Institute of Technology	40,362	40,362	4,036
Mellon Bank, N.A. as Trustee for the Bell Atlantic Master Trust	28,831	28,831	2,883
Needham & Company, Inc.	2,885	2,885	286
Northern Trust Company as Trustee for Lucent Technologies Inc. Master Pension Trust	53,007	53,007	5,301
Norwest Equity Capital, L.L.C.	11,532	11,532	1,153
Oberlin College	11,532	11,532	1,153
Okoboji Trust dtd 6/19/85; James F. Willenborg, Trustee	1,442	1,442	144
Price Trust U/T/A dtd 10/5/84, as amended; Thomas A. Price, Trustee	577	577	57
Raj Rajaratnam	577	577	57
Rector and Visitors of The University of Virginia	23,064	23,064	2,306
Richard I. Keeler Revocable Trust Restated dtd 7/19/94, As May Be Amended	288	288	29
Robert C. Hawk	57	57	5
Robert C. Hawk	288	288	29
Robert M. Fell	144	144	14
Roxanne Cooley	26	26	3
SBC Master Pension Trust	57,660	57,660	5,766
Silicon Valley Bancshares	1,441	1,441	144
Stradling, Yocca, Carlson & Rauth Profit Sharing Plan; CNA Trust Corporation, Trustee	577	577	57
The William and Flora Hewlett Foundation	57,660	57,660	5,766
University of Chicago	23,064	23,064	2,306
Wallace R. Hawley Family Holdings, Ltd.	1,153	1,153	115
Walton Investment, L.L.C.	11,532	11,532	1,153
Wellcome Trust; Wellcome Trust, Ltd., Trustee	43,245	43,245	4,325
William P. Cargile	58	58	5

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WS Investment Company 96A	288	288	29
Yale University	43,245	43,245	4,325
VLG Investments	7,949	7,949	794
Green Family Trust	1,987	1,987	198
CAN Trust FBO Elias J. Blawie	1,987	1,987	198
Newbury Ventures, L.P.	84,960	84,960	8,476
Newbury Ventures Associates, L.P.	64,423	64,423	6,427
Comm Ventures, L.P.	193,584	193,584	19,361
Newbury Ventures Cayman, L.P.	22,840	22,840	2,284
Worldview Technology Partners I, L.P.	135,992	135,992	13,599
Worldview Technology Int'l I, L.P.	53,003	53,003	5,003
Worldview Strategic Partners I, L.P.	11,713	11,713	1,171
Nokia Corporation	66,903	66,903	6,690
Lucent Venture Partners, Inc.	87,460	87,460	8,746
Issie Rabinovitch	27,597	27,597	2,759
Donald Thorne	22,078	22,078	2,207
George Marcus	11,039	11,039	1,103
Robert Rabin & Joan Rabin TTEES			
U/A DTD 7/16/82	11,039	11,039	1,103
Ron Snow	11,039	11,039	1,103
Dan Heffernan	11,039	11,039	1,103
Rabinovitch Ventures Limited	27,597	27,597	2,759
Howard Neff	11,039	11,039	1,103
Yuri Sharonin	24,777	24,777	2,477
Vladimir Taft	16,357	16,357	1,635
Robert M. Lefkowitz	18,866	18,866	1,886
Nicolay Makarov	15,003	15,003	1,500
Ardeshir Bordbar	13,698	13,698	1,369
Zinovy Krasnovsky	20,673	20,673	2,067
Kurt Vogel	14,451	14,451	1,445
Roy Wang	1,685	1,685	168
Owen Frances	14,451	14,451	1,445
Edmund Johnson	2,408	2,408	240
Lynette Webber	722	722	72
Vlad Vochevursky	2,890	2,890	289
Boris Zundeleovich	3,371	3,371	337
Oleg Kipnis	90	90	9
Ana Raveica	75	75	7
John Trick	481	481	48

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* 296,866 shares of our common stock are held in the name of Embassy & Co. pursuant to an Escrow Agreement with the former stockholders of Mainsail. 578,041 shares of our common stock are held in the name of Embassy & Co. pursuant to Retention Escrow Agreements with certain former stockholders of Mainsail.

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