

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 The table on page 19 of the Prospectus setting forth information concerning the selling stockholders is superseded by the following table: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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