

TERAYON COMMUNICATION SYSTEMS

Form 4

February 17, 2005

FORM 4**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

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

OMB APPROVAL

OMB
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(Print or Type Responses)

1. Name and Address of Reporting Person *
RAKIB SHLOMO

2. Issuer Name **and** Ticker or Trading
Symbol

**TERAYON COMMUNICATION
SYSTEMS [TERN]**

5. Relationship of Reporting Person(s) to
Issuer

(Check all applicable)

(Last) (First) (Middle)

**4988 GREAT AMERICA
PARKWAY**

(Street)

3. Date of Earliest Transaction
(Month/Day/Year)
02/16/2005

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

SANTA CLARA, CA 95054

(City) (State) (Zip)

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

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 Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------------|---|---|--------------------------------------|---|--|---|--|
| | | | Code | V | Amount | (A) or (D) | Price |
| Common Stock | 02/16/2005 | | S | | 150,000 | D | \$ 3.5343 |
| Common Stock | | | | | | | 240,000 |
| | | | | | | I | Co-Trustee of the Shlomo Rakib Children's Trust. ⁽¹⁾ |

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.

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(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 (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|
| | | | | Code | V (A) (D) | Date Exercisable Expiration Date | Title Amount or Number of Shares |
| Non-Qualified Stock Option (right to buy) | \$ 2.45 | | | | | (2) 05/28/2013 | Common Stock 500,000 |
| Non-Qualified Stock Option(right to buy) | \$ 6.8125 | | | | | (3) 02/14/2011 | Common Stock 800,000 |

Reporting Owners

| Reporting Owner Name / Address | Relationships |
|---|----------------------------------|
| | Director 10% Owner Officer Other |
| RAKIB SHLOMO 4988 GREAT AMERICA PARKWAY SANTA CLARA, CA 95054 | X |

Signatures

Rachel Halpren for Shlomo Rakib
02/17/2005

__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).

(1) Co-Trustee of the Shlomo Rakib Children's Trust.

(2) Option granted under the 1997 Option Plan on 05/28/2003, with 50% vesting on 05/28/2004 and 50% vesting on 05/28/2005

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(3) Option granted pursuant to issuer's 1997 Equity Incentive Plan. This option vests monthly from 4/11/2000 over a four year period.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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