

TERAYON COMMUNICATION SYSTEMS

Form DEF 14A

April 10, 2002

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SCHEDULE 14A INFORMATION

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
 Definitive
Proxy
Statement
Confidential, for
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Terayon Communication Systems, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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TERAYON COMMUNICATION SYSTEMS, INC.

**2952 Bunker Hill Lane
Santa Clara, CA 95054**

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on May 22, 2002

Dear Stockholder:

You are cordially invited to attend the 2002 Annual Meeting of Stockholders (Annual Meeting) of **Terayon Communication Systems, Inc.**, a Delaware corporation (Company). The Annual Meeting will be held on Wednesday, May 22, 2002 at 8:30 a.m. local time at the Santa Clara Westin Hotel, 5101 Great America Parkway, Santa Clara, California for the following purposes:

1. To elect two directors to the Board of Directors (Board) to hold office until the 2005 Annual Meeting of stockholders.
2. To approve the Company s 1998 Non-Employee Directors Plan, as amended, to increase the aggregate number of shares of common stock authorized for issuance under the plan by 400,000 shares.
3. To approve the Company s 1998 Employee Stock Purchase Plan, as amended, to increase the aggregate number of shares of common stock authorized for issuance under the plan by 3,000,000 shares.
4. To ratify the selection of Ernst & Young LLP as independent auditors of the Company for its fiscal year ending December 31, 2002.
5. To conduct any other business properly brought before the Annual Meeting.

These items of business are more fully described in the Proxy Statement accompanying this Notice.

The record date for the Annual Meeting is April 2, 2002. Only stockholders of record at the close of business on that date may vote at the Annual Meeting or any adjournment thereof.

By Order of the Board of Directors

Dr. Zaki Rakib
Secretary

Santa Clara, California
April 21, 2002

You are cordially invited to attend the Annual Meeting in person. Whether or not you expect to attend the Annual Meeting, please complete, date, sign and return the enclosed proxy or vote over the telephone or the Internet as instructed in these materials as promptly as possible in order to ensure your representation at the Annual Meeting. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for your convenience. Even if you have voted by proxy, you may still vote in person if you attend the Annual Meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the Annual Meeting, you must obtain a proxy issued in your name from that record holder.

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TERAYON COMMUNICATION SYSTEMS, INC.

2952 Bunker Hill Lane
Santa Clara, CA 95054

PROXY STATEMENT

**FOR THE 2002 ANNUAL MEETING OF STOCKHOLDERS
To Be Held on May 22, 2002**

QUESTIONS AND ANSWERS ABOUT THIS PROXY MATERIAL AND VOTING

Why am I receiving these materials?

We sent you this proxy statement and the enclosed proxy card because the Board of Directors (Board) of Terayon Communications Systems, Inc. (Company) is soliciting your proxy to vote at the 2002 Annual Meeting of Stockholders (Annual Meeting). You are invited to attend the Annual Meeting and we request that you vote on the proposals described in this proxy statement. However, you do not need to attend the Annual Meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card, or follow the instructions below to submit your proxy over the telephone or on the Internet.

The Company intends to mail this proxy statement and accompanying proxy card on or about April 21, 2002 to all stockholders of record entitled to vote at the Annual Meeting.

Who can vote at the Annual Meeting?

Only stockholders of record at the close of business on April 2, 2002 (Record Date) will be entitled to vote at the Annual Meeting. On the Record Date, there were 72,711,407 shares of common stock outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If on the Record Date your shares were registered directly in your name with the Company's transfer agent, EquiServe L.P., then you are a stockholder of record. As a stockholder of record, you may vote in person at the Annual Meeting or vote by proxy. Whether or not you plan to attend the Annual Meeting, we urge you to fill out and return the enclosed proxy card or vote by proxy over the telephone or on the Internet as instructed below to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker, Bank or Other Financial Institution

If on the Record Date your shares were held in an account at a brokerage firm, bank, dealer or other similar financial institution, then you are the beneficial owner of shares held in street name and these proxy materials are being forwarded to you by that organization. The brokerage firm, bank, dealer or other financial institution holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker or other agent on how to vote the shares in your account. You are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the Annual Meeting unless you request and obtain a valid proxy from your broker or other agent.

What am I voting on?

There are four matters scheduled for a vote:

Election of two directors;

Proposed 400,000 share increase in the number of shares of common stock authorized for issuance under the Company's 1998 Non-Employee Directors' Plan, as amended (Directors' Plan);

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Proposed 3,000,000 share increase in the number of shares of common stock authorized for issuance under the Company's 1998 Employee Stock Purchase Plan, as amended (Purchase Plan);

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Ratification of Ernst & Young LLP as independent auditors of the Company for its fiscal year ending December 31, 2002.

How do I vote?

You may either vote For all the nominees to the Board or you may abstain from voting for any nominee you specify. For each of the other matters to be voted on, you may vote For or Against or abstain from voting. The procedures for voting are fairly simple:

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote in person at the Annual Meeting or vote by proxy using the enclosed proxy card, vote by proxy over the telephone or vote by proxy on the Internet. Whether or not you plan to attend the Annual Meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the Annual Meeting and vote in person even if you have already voted by proxy.

To vote in person, come to the Annual Meeting and we will give you a ballot when you arrive.

To vote using the proxy card, simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you return your signed proxy card to us before the Annual Meeting, we will vote your shares as you direct.

To vote over the telephone, dial the toll-free phone number listed on the enclosed proxy card using a touch-tone phone and follow the recorded instructions. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by 11:59 p.m. Eastern Daylight Time on May 21, 2002 to be counted.

To vote on the Internet, go to www.proxyvote.com to complete an electronic proxy card. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by 11:59 p.m., Eastern Daylight Time on May 21, 2002 to be counted.

Stockholder of Record: Shares Registered in the Name of a Broker, Bank or Other Financial Institution

If you are a beneficial owner of shares registered in the name of your broker, bank, other financial institution or agent, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than from the Company. Simply complete and mail the proxy card to ensure that your vote is counted. Alternatively, you may vote by telephone or over the Internet as instructed by your broker, bank, other financial institution or agent. To vote in person at the Annual Meeting, you must obtain a valid proxy from your broker, bank, other financial institution or agent. Follow the instructions from your broker, bank, financial institution or agent included with these proxy materials, or contact your broker, bank, financial institution or agent to request a proxy form.

We provide Internet proxy voting to allow you to vote your shares on-line, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your Internet access, such as usage charges from Internet access providers and telephone companies.

How many votes do I have?

On each matter to be voted upon, you have one vote for each share of common stock you own as of the Record Date.

What if I return a proxy card but do not make specific choices?

If you return a signed and dated proxy card without marking any voting selections, your shares will be voted For the election of all two nominees for director and the election of Ernst & Young as auditors, and Against the proposals to increase by 400,000 shares of common stock to the Directors Plan and

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3,000,000 shares to the Purchase Plan. If any other matter is properly presented at the Annual Meeting, your proxy (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

Who is paying for this proxy solicitation?

We pay the entire cost of soliciting proxies. In addition to these mailed proxy materials, our directors and employees may also solicit proxies in person, by telephone, or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

What does it mean if I receive more than one proxy card?

If you receive more than one proxy card, your shares are registered in more than one name or are registered in different accounts. Please complete, sign and return **each** proxy card to ensure that all of your shares are voted.

Can I change my vote after submitting my proxy?

Yes. You can revoke your proxy at any time before the final vote at the Annual Meeting. You may revoke your proxy in any one of three ways:

You may submit another properly completed proxy card with a later date.

You may send a written notice that you are revoking your proxy to the Company's Secretary at 2952 Bunker Hill Lane, Santa Clara, CA 95054.

You may attend the Annual Meeting and vote in person. Simply attending the Annual Meeting will not, by itself, revoke your proxy.

When are stockholder proposals due for next year's Annual Meeting?

To be considered for inclusion in next year's proxy materials, your proposal must be submitted in writing by January 22, 2003, to the Company's Secretary at 2952 Bunker Hill Lane, Santa Clara, CA 95054. If you wish to submit a proposal for consideration at next year's annual meeting that will not be included in next year's proxy materials, you must do so by the close of business no earlier than February 21, 2003 and no later than the close of business on March 29, 2003. The Company's management has discretion over what stockholder proposals will be included in the agenda for next year's annual meeting and/or in the related proxy materials. The Company's management also will have discretionary authority to vote all shares for which it has proxies in opposition to the matter. Stockholders are also advised to review the Company's Bylaws, which contain additional requirements with respect to advance notice of stockholder proposals and director nominations.

How are votes counted?

Votes will be counted by the inspector of elections appointed for the Annual Meeting, who will separately count For and Against votes, abstentions and broker non-votes. Abstentions will be counted in the vote total for each proposal, and will have the same effect as Against votes. Broker non-votes will be counted towards a quorum but have no effect and will not be counted in the vote total for any proposal.

How many votes are needed to approve each proposal?

For the election of directors, the two nominees receiving the most For votes (among votes properly cast in person or by proxy) will be elected. Broker non-votes will have no effect.

To be approved, Proposal No. 2, a 400,000 share increase in the aggregate number of shares of common stock authorized for issuance under the Directors' Plan must receive a For vote (either in person or by proxy) from the majority of shares represented at the meeting and entitled to vote. If you Abstain from voting, it will have the same effect as an Against vote. Broker non-votes will have no effect.

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To be approved, Proposal No. 3, a 3,000,000 share increase in the aggregate number of shares of common stock authorized for issuance under the Purchase Plan must receive a For vote (either in person or by proxy) from the majority of the shares represented at the meeting and entitled to vote. If you Abstain from voting, it will have the same effect as an Against vote. Broker non-votes will have no effect.

To be approved, Proposal No. 4, the ratification of Ernst & Young LLP as the Company's independent auditors for its fiscal year ending December 31, 2002, must receive a For vote (either in person or by proxy) from the majority of shares represented at the meeting and entitled to vote. If you Abstain from voting, it will have the same effect as an Against vote. Broker non-votes will have no effect.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid Annual Meeting. A quorum will be present if at least a majority of the Company's outstanding shares are represented by votes at the Annual Meeting in person or by proxy. Your shares will be counted towards the quorum only if you submit a valid proxy vote or appear in person. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, a majority of the votes present at the Annual Meeting may adjourn the Annual Meeting to another date.

How can I find out the results of the voting at the Annual Meeting?

Preliminary voting results will be announced at the Annual Meeting. Final voting results will be published in the Company's quarterly report on Form 10-Q for the second quarter of 2002.

PROPOSAL 1

ELECTION OF DIRECTORS

The Company's Board is divided into three classes. Each class consists, as nearly as possible, of one-third of the total number of directors, and each class has a three-year term. Vacancies on the Board may be filled only by persons elected by a majority of the remaining directors. A director elected by the Board to fill a vacancy in a class shall serve for the remainder of the full term of that class, and until the director's successor is elected and qualified. This includes vacancies created by an increase in the number of directors.

The Board presently has five members. There are two directors in the class whose term of office expires in 2002. Each of the nominees for election to this class is currently a director of the Company who was previously elected by the stockholders. If elected at the Annual Meeting, each of these nominees would serve until the 2005 Annual Meeting and until his or her successor is elected and has qualified, or until the director's death, resignation or removal.

The following is a brief biography of each nominee and each director whose term will continue after the Annual Meeting.

Nominees for Election for a Three-Year Term Expiring at the 2005 Annual Meeting

Aleksander Krstajic

Aleksander Krstajic has served as a director of the Company since July 1999. Mr. Krstajic is the Senior Vice President Interactive Services, Sales and Product Development for Rogers Communications, Inc. (Rogers), and has held a variety of senior management positions at Rogers since 1994. Mr. Krstajic is a director of several privately held companies. Mr. Krstajic holds a B.A. degree in economics from the University of Toronto in Canada and attended the executive educational program at Wharton School of Business at the University of Pennsylvania.

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Lewis Solomon

Lewis Solomon has served as a director of the Company since March 1995. Mr. Solomon has been a principal of G&L Investments, a consulting firm, since 1989 and currently serves as Chief Executive Officer of Broadband Services, Inc. From 1983 to 1988, he served as Executive Vice President at Alan Patricof Associates, a venture capital firm focused on high technology, biotechnology and communications industries. Prior to that, Mr. Solomon served in various capacities with General Instrument Corporation, most recently as Senior Vice President. From April 1986 to January 1997, he served as Chairman of the Board of Cybernetic Services, Inc., a LED systems manufacturer, which commenced a Chapter 7 bankruptcy proceeding in April 1997. Mr. Solomon serves on the boards of Anadigics, Inc. a manufacturer of integrated circuits; Harmonic, Inc., a manufacturer of digital and fiber optic systems; and Artesyn Technologies, Inc., a power supply and power converter supply company. Mr. Solomon also serves on the boards of several privately held companies.

THE BOARD OF DIRECTORS RECOMMENDS

A VOTE IN FAVOR OF EACH NAMED NOMINEE

Directors Continuing in Office Until the 2003 Annual Meeting

Shlomo Rakib

Shlomo Rakib co-founded the Company in 1993 and has served as Chairman of the Board and President since January 1993 and as Chief Technical Officer since February 1995. Prior to co-founding the Company, Mr. Rakib served as Chief Engineer at PhaseCom, Inc., a communications products company, from 1981 to 1993, where he pioneered the development of data and telephony applications over cable. Mr. Rakib is the inventor of several patented technologies in the area of data and telephony applications over cable. Mr. Rakib serves on the Board of a private held company. Mr. Rakib holds a B.S.E.E. degree from Technion University in Israel. Mr. Rakib is the brother of Zaki Rakib, the Chief Executive Officer, Secretary and a director of the Company.

Directors Continuing in Office Until the 2004 Annual Meeting

Zaki Rakib

Zaki Rakib co-founded the Company in 1993 and has served as Chief Executive Officer and Secretary since January 1993 and as a director since February 1995. From January 1993 to July 1998, Dr. Rakib also served as Chief Financial Officer of the Company. Prior to co-founding the Company, Dr. Rakib served as Director of Engineering for Cadence Design Systems (Cadence), an electronic design automation software company, from 1990 to 1994. Prior to joining Cadence, Dr. Rakib was Vice President of Engineering at Helios Software, which was acquired by Cadence in 1990. Dr. Rakib serves on the Board of a privately held company. Dr. Rakib holds B.S., M.S. and Ph.D. degrees in engineering from Ben-Gurion University in Israel. Dr. Rakib is the brother of Shlomo Rakib, the Company's Chairman of the Board, President and Chief Technical Officer.

Christopher Schaepe

Christopher J. Schaepe has served as a director of the Company since March 1995. Mr. Schaepe is a General Partner of Lightspeed Venture Partners, a technology-focused venture capital firm specializing in early stage communications and Internet software infrastructure investments. From October 1991 until October 2000, he served as a General Partner of Weiss, Peck & Greer Venture Partners. In October 2000, Weiss, Peck & Greer Venture Partners became Lightspeed Venture Partners, an entity independent of Weiss, Peck & Greer, L.L.C. Mr. Schaepe continues to serve as a Managing Director of Weiss, Peck & Greer, L.L.C., a technology-focused venture capital firm. From July 1986 to July 1989, Mr. Schaepe served in corporate finance and capital markets roles at Goldman, Sachs & Company after his employment as a software engineer at IBM Corporation. He is a director of several privately held companies. Mr. Schaepe

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holds B.S. and M.S. degrees in computer science from the Massachusetts Institute of Technology and an M.B.A. degree from Stanford Business School.

Board Committees and Meetings

During the fiscal year ended December 31, 2001 the Board held 12 meetings and acted by unanimous written consent two times. The Board has an Audit Committee, a Compensation Committee and a Nominating Committee.

The Audit Committee of the Board oversees the Company's financial reporting process. For this purpose, the Audit Committee performs several functions: it meets with the Company's independent auditors at least once a year to review the results of the annual audit and discuss the financial statements; recommends to the Board the independent auditors to be retained; oversees the independence of the independent auditors; evaluates the independent auditors' performance; and considers the independent auditors' comments regarding the adequacy of staff and management performance and procedures in connection with audit and financial controls. Three directors comprised the Audit Committee in 2001: Messrs. Schaepe, Solomon and Stevens. Mr. Stevens resigned from the Board and the Audit Committee in 2002. The Audit Committee met four times during 2001 and did not act by unanimous written consent. All members of the Company's Audit Committee in 2001 are independent (as independence is defined in Rule 4200(a)(14) of the NASD listing standards).

The Compensation Committee makes recommendations concerning salaries and incentive compensation, awards stock options to employees and consultants under the Company's stock option plans and performs other functions regarding compensation as the Board may delegate. In 2001, three directors comprised the Compensation Committee: the Company's CEO, Zaki Rakib, and Messrs. Schaepe and Stevens. Mr. Stevens resigned from the Compensation Committee in 2002 and was replaced by Mr. Krstajic. The Compensation Committee did not meet during and did not act by unanimous written consent in 2001.

The Non-Officer Option Committee, established in January 1999, awards stock options, stock grants and stock awards to eligible persons who are not officers of the Company subject to Section 16 of the Securities and Exchange Act of 1934, as amended (Exchange Act). In July 2000, the Board set new guidelines for the Non-Officer Option Committee which permitted the Non-Officer Option Committee to award stock options, stock grants and stock awards to all eligible persons, including officers, other than Dr. Rakib and Mr. Rakib. The number of shares the Non-Officer Option Committee may grant must follow the guidelines set by the Compensation Committee or the Board, and may not exceed the maximum for a given position without the approval of the Compensation Committee or the Board. The Non-Officer Option Committee is to meet or to act by written consent as such Committee deems appropriate. During the fiscal year ended December 31, 2001, the Non-Officer Option Committee acted after the hiring of each new employee or consultant to grant option to such employee or consultant. The sole member of the Non-Officer Option Committee is the Company's Chief Executive Officer and Secretary, Dr. Rakib.

During the fiscal year ended December 31, 2001, all directors attended at least 75% of the aggregate of the meetings of the Board and the committees on which they served, during the period for which they were a director or committee member, respectively.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD

The following is the report of the Audit Committee with respect to the Company's audited financial statements for the fiscal year ended December 31, 2001, which include the consolidated balance sheets of the Company as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001, and the notes thereto. The information contained in this report shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission (SEC), nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended (Securities Act), or the Exchange Act, except to the extent that the Company specifically incorporates it by reference in such filing.

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Review with Management

The Audit Committee has reviewed and discussed the Company's audited financial statements with management.

Review and Discussions with Independent Accountants

The Audit Committee has discussed with Ernst & Young LLP, the Company's independent accountants, the matters required to be discussed by SAS 61 (Codification of Statements on Accounting Standards) that includes, among other items, matters related to the conduct of the audit of the Company's financial statements.

The Audit Committee has also received written disclosures and the letter from Ernst & Young LLP required by Independence Standards Board Standard No. 1 (that relates to the accountant's independence from the Company and its related entities) and has discussed with Ernst & Young LLP its independence from the Company.

Conclusion

Based on the review and discussions referred to above, the Audit Committee recommended to the Board that the Company's audited financial statements be included in the Company's Annual Report of Form 10-K for the fiscal year ended December 31, 2001.

AUDIT COMMITTEE MEMBERS FISCAL 2001:

Christopher Schaepe
Lewis Solomon
Mark Stevens

PROPOSAL 2

APPROVAL OF 1998 NON-EMPLOYEE DIRECTORS PLAN

On June 9, 1998, the Board adopted the Directors' Plan, subject to stockholder approval. There were 400,000 shares of common stock reserved for issuance under the Directors' Plan.

On April 1, 2002, the Board amended the Directors' Plan, subject to stockholder approval, to increase the number of shares of common stock authorized for issuance under the Directors' Plan from a total of 400,000 shares to a total of 800,000 shares, an increase of 400,000 shares. The Board adopted this amendment in order to ensure that the Company can continue to grant stock options at levels determined appropriate by the Board.

As of March 22, 2002, options (net of canceled or expired options) covering an aggregate of 258,165 shares of common stock have been granted under the Directors' Plan. 141,835 shares of common stock (plus any shares that might in the future be returned to the Directors' Plan as a result of cancellations or expiration of options) remain available for future grant under the Directors' Plan.

Stockholders are requested in this Proposal 2 to approve the amendment to the Directors' Plan. The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting will be required to approve the amendment to the Directors' Plan. Abstentions will be counted toward the tabulation of votes cast on proposals presented to the stockholders and will have the same effect as votes "Against". Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this matter has been approved.

THE BOARD OF DIRECTORS RECOMMENDS

A VOTE IN FAVOR OF PROPOSAL 2

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The essential features of the Directors' Plan (a copy of which is included as Appendix A to this Proxy Statement) are outlined below:

General

The Directors' Plan provides for the automatic grant of nonstatutory stock options. Options granted under the Directors' Plan are not intended to qualify as incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (Code). See Federal Income Tax Information for a discussion of the tax treatment of nonstatutory stock options.

Purpose

The Board adopted the Directors' Plan to provide a means by which non-employee directors of the Company may be given an opportunity to purchase stock in the Company, to assist in retaining the services of such persons, to secure and retain the services of persons capable of filling such positions and to provide incentives for such persons to exert maximum efforts for the success of the Company. Three of the current directors of the Company are eligible to participate in the Directors' Plan.

Administration

The Board administers the Directors' Plan. The Board has the power to construe and interpret the Directors' Plan but not to determine the persons to whom or the dates on which options will be granted, the number of shares to be subject to each option, the time or times during the term of each option within which all or a portion of such option may be exercised, the exercise price, the type of consideration or the other terms of the option.

The Board has the power, which it has not yet exercised, to delegate administration of the Directors' Plan to a committee composed of not fewer than two members of the Board.

Stock Subject to the Directors' Plan

Subject to this Proposal, an aggregate of 800,000 shares of common stock is reserved for issuance under the Directors' Plan. If options granted under the Directors' Plan expire or otherwise terminate without being exercised, the shares of common stock not acquired pursuant to such options again become available for issuance under the Directors' Plan. If the Company reacquires stock issued under the Directors' Plan, the reacquired stock will again become available for reissuance under the Directors' Plan.

Eligibility

The Directors' Plan provides that options may be granted only to non-employee directors of the Company. A non-employee director is defined in the Directors' Plan as a director of the Company or of any affiliate of the Company who, at the time of grant, is not otherwise an employee of or consultant to the Company or any affiliate of the Company.

Terms of Options

The following is a description of the terms of options under the Directors' Plan. Individual option grants may not be more restrictive as to the terms described below.

Automatic Grants. Each person who is first elected or appointed to the Board as a non-employee director shall, on the date of such initial election or appointment, be granted an option to purchase 60,000 shares of common stock.

Each non-employee director who is serving as such immediately following each Annual Meeting shall be granted, on the date of the Annual Meeting, an option to purchase 25,000 shares of common stock. This amount shall be pro-rated for any non-employee director who has not continuously served as such for the 12-month period prior to the date of the Annual Meeting.

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Each non-employee director who is serving as a member of a committee of the Board immediately following each Annual Meeting shall be granted, for each such committee, an option to purchase 6,000 shares of common stock. This amount shall be pro-rated for any non-employee director who has not continuously served as such for the 12-month period prior to the date of the Annual Meeting.

Exercise Price; Payment. The exercise price of options may not be less than 100% of the Fair Market Value (FMV) of the common stock subject to the option on the date of the grant. The FMV, as used in this Director s Plan, shall be the closing sales price of (or the closing bid, if no sales were reported) as quoted on any established stock exchange or a national market system on the date of the grant (or the last market trading day prior to the date of grant, if the date of grant is not a market trading day). If the Company s common stock is listed on multiple exchanges or markets, the exchange or market with the greatest volume of trading in common stock will be used in determining the FMV. In the absence of an established market for the common stock, the FMV shall be determined in good faith by the Board. As of March 22, 2002, the closing price of the Company s common stock as reported on the Nasdaq National Market System was \$8.05 per share.

Option Exercise. Options granted under the Directors Plan become exercisable in cumulative increments (vest) as set out in the Directors Plan provided that the optionee has, during the entire period prior to each vest period, continuously served as a director or employee of or consultant to the Company or any affiliate of the Company (collectively, Service). Options granted under the Directors Plan may, at the Board s discretion, permit exercise prior to vesting. In such an event, any unvested shares which are exercised shall be subject to a repurchase right in favor of the Company or any other restriction(s) the Board determines appropriate, should the optionee s Service terminate before the option vests.

Term. The term of options granted under the Directors Plan commences on the grant date and expires on the tenth anniversary of the grant date (Expiration Date). Options under the Directors Plan shall terminate on the earlier of the Expiration Date or three months after termination of the optionee s Service; provided, however, that (i) if such termination is due to the optionee s permanent and total disability (as defined in the Code), the option shall terminate on the earlier of the Expiration Date or 12 months after such termination; or (ii) if such termination is due to the optionee s death before the optionee s Service has terminated, the option shall terminate on the earlier of the Expiration Date after 18 months after the optionee s death by the person or persons to whom the rights of such option pass by will or by the laws of descent and distribution. An optionee may designate a beneficiary who may exercise the option following the optionee s death. In any and all circumstances, an option may be exercised following termination of the optionee s Service only to the extent of the shares which were vested and exercisable as of the date of termination.

The option term is not extended in the event that exercise of the option within these periods is prohibited.

Other Provisions. The option agreement may contain such other terms, provisions and conditions not inconsistent with the Directors Plan as determined by the Board.

Restrictions on Transfer

During the lifetime of the optionee, an option may be exercised only by the optionee. The Board may grant options that are transferable only to the extent *specifically* permitted in the stock option agreement. If the option agreement does not *specifically* provide for the transferability of the option, then the option shall not be transferable except by will or by the laws of descent and distribution.

Adjustment Provisions

Transactions not involving receipt of consideration by the Company, such as a merger, consolidation, reorganization, stock dividend or stock split, may change the type(s), class(es) and number of shares of common stock subject to the Directors Plan and outstanding options. In that event, the Directors Plan will be appropriately adjusted as to the type(s), class(es) and the maximum number of shares of common stock subject to the Directors Plan, and outstanding options will be adjusted as to the type(s), class(es), number of shares and price per share of common stock subject to such options.

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Effect of Certain Corporate Transactions

In the event of (i) dissolution, liquidation or sale of all or substantially all of the assets of the Company, (ii) the sale or other disposition of all or substantially all of the outstanding securities of the Company or (iii) certain specified types of merger, consolidation or similar transactions (collectively, corporate transaction), any surviving or acquiring corporation shall (i) continue or assume options outstanding under the Directors Plan or shall substitute similar options or (ii) such options shall continue in full force and effect. If any surviving or acquiring corporation does not assume such options or substitute similar options for those outstanding under the Directors Plan, then the vesting of such options and time during which such options may be exercised shall be accelerated in full prior to such event and the options will terminate if not exercised at, or prior to, such effective date.

The acceleration of an option in the event of a corporate transaction or a change in control event may be viewed as an anti-takeover provision, which may have the effect of discouraging a proposal to acquire or otherwise obtain control of the Company.

Duration, Amendment and Termination

The Board may suspend or terminate the Directors Plan without stockholder approval or ratification at any time. Unless sooner terminated, the Directors Plan will terminate on June 8, 2008.

The Board may amend the Directors Plan at any time or from time to time. However an amendment to increase the size of the share reserve (except as provided under Adjustment Provisions noted above relating to adjustments upon changes in stock) and any other amendment that requires stockholder approval to satisfy the requirements of Rule 16b-3 promulgated under the Exchange Act or any Nasdaq or securities exchange listing requirements, shall not be effective unless approved by the stockholders of the Company.

Federal Income Tax Information

Nonstatutory stock options granted under the Directors Plan generally have the following federal income tax consequences.

There are no tax consequences to the optionee or the Company by reason of the grant of a nonstatutory stock option. Upon exercise of a nonstatutory stock option, the optionee normally will recognize taxable ordinary income equal to the excess of the stock's FMV on the date of exercise over the option exercise price. However, to the extent the stock is subject to certain types of vesting restrictions, the taxable event may be delayed until the vesting restrictions lapse unless the participant elects to be taxed on receipt of the stock. If the optionee becomes an employee, the Company is required to withhold from regular wages or supplemental wage payments an amount based on the ordinary income recognized. Subject to the requirement of reasonableness and the satisfaction of a tax reporting obligation, the Company will generally be entitled to a business expense deduction equal to the taxable ordinary income realized by the optionee.

Upon disposition of the stock, the optionee will recognize a capital gain or loss equal to the difference between the selling price and the sum of the amount paid for such stock plus any amount recognized as ordinary income upon exercise of the option (or vesting of the stock). Such gain or loss will be long-term or short-term depending on whether the stock was held for more than one year from date of purchase and more than two years from date of grant. Slightly different rules may apply to optionees who acquire stock subject to certain repurchase options or who are subject to Section 16(b) of the Exchange Act.

Table of Contents**Directors Plan**

The following table presents certain information with respect to options granted under the Directors Plan as of March 22, 2002, by all non-employee directors as a group.

	Number of Securities to be Issued Upon Exercise of Outstanding Options (a)	Weighted-Average Exercise Price of Outstanding Options (b)	Number of Securities Remaining Available for Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
All Non-Employee Directors as a Group	249,915	\$44.3575	141,835

Equity Compensation Plan Information

The following table provides certain information with respect to all of the Company's equity compensation plans in effect as of March 22, 2002.

Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	4,894,865	\$9.1194	11,914,339
Equity compensation plans not approved by security holders	14,593,459	\$9.3980	11,709,202
Total	19,488,324	\$9.3282	23,623,541

The 1999 Non-Officer Equity Incentive Plan was the only equity compensation plan of the Company in effect as of March 22, 2002 that has been adopted without the approval of the Company's stockholders. Descriptions of the 1995 Stock Option Plan, as amended, 1997 Equity Incentive Plan, as amended, Directors Plan, 1999 Non-Officer Equity Incentive Plan, as amended, MainSail Network 1997 Stock Option Plan and 2000 TrueChat, Inc. Equity Incentive Plan are contained in Note 9 of the footnotes to the Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K, filed with the SEC on April 1, 2002.

PROPOSAL 3**APPROVAL OF 1998 EMPLOYEE STOCK PURCHASE PLAN, AS AMENDED**

In June 1998, the Board adopted the Purchase Plan, subject to stockholder approval. There were 1,400,000 shares of common stock reserved for issuance under the Purchase Plan.

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Subject to stockholder approval, on April 1, 2002, the Board amended the Purchase Plan to increase the number of shares of common stock authorized for issuance under the Purchase Plan from a total of 1,400,000 shares to a total of 4,400,000 shares, an increase of 3,000,000 shares. The Board adopted this amendment in order to ensure that the Company can continue to grant purchase rights to its employees at levels determined appropriate by the Board.

Since January 2001, shares of common stock were purchased in the amounts and at the weighted average prices (Average Price) per share under the Purchase Plan as follows: (i) For the purchase period ending

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January 31, 2001, 71,681 shares were purchased at the Average Price of \$5.5250 per share, (ii) for the purchase period ending July 31, 2001, 309,747 shares were purchased at the Average Price of \$5.0735 per share and (iii) for the purchase period ending January 31, 2002, 314,068 shares were purchased at the Average Price of \$5.1377 per share.

As of March 22, 2002, an aggregate of 1,174,882 shares of common stock had been granted under the Purchase Plan. Only 225,118 shares of common stock remained available for future grant under the Purchase Plan.

Stockholders are requested in this Proposal 3 to approve the amendment to the Purchase Plan. The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting will be required to approve the amendment to the Purchase Plan. Abstentions will be counted toward the tabulation of votes cast on proposals presented to the stockholders and will have the same effect as negative votes. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this matter has been approved.

THE BOARD OF DIRECTORS RECOMMENDS

A VOTE IN FAVOR OF PROPOSAL 3

The essential features of the Purchase Plan (a copy of which is included as Appendix B to this Proxy Statement) are outlined below:

Purpose

The purpose of the Purchase Plan is to provide a means by which employees of the Company (and any subsidiary of the Company designated by the Board to participate in the Purchase Plan) may be given an opportunity to purchase common stock of the Company through payroll deductions, to assist the Company in retaining the services of its employees, to secure and retain the services of new employees and to provide incentives for such persons to exert maximum efforts for the success of the Company. As of December 31, 2001, approximately 96.7% of the approximately 618 employees of the Company and its subsidiaries are eligible to participate in the Purchase Plan.

The rights to purchase common stock granted under the Purchase Plan are intended to qualify as options issued under an employee stock purchase plan as that term is defined in Section 423(b) of the Code.

Administration

The Board administers the Purchase Plan and has the final power to construe and interpret both the Purchase Plan and the rights granted under it. The Board has the power, subject to the provisions of the Purchase Plan, to determine when and how rights to purchase common stock of the Company will be granted, the provisions of each offering of such rights (which need not be identical) and whether employees of any subsidiary of the Company will be eligible to participate in the Purchase Plan.

The Board has the power, which it has not yet exercised, to delegate administration of the Purchase Plan to a committee composed of not fewer than two members of the Board.

Stock Subject to Purchase Plan

Subject to this Proposal, an aggregate of 4,400,000 shares of common stock is reserved for issuance under the Purchase Plan. If rights granted under the Purchase Plan expire, lapse or otherwise terminate without being exercised, the shares of common stock not purchased under such rights again become available for issuance under the Purchase Plan.

Offerings

The Purchase Plan is implemented by offerings of rights to all eligible employees from time to time by the Board. The maximum length for an offering under the Purchase Plan is approximately 27 months.

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Currently, under the Purchase Plan, each offering is approximately 24 months long and is divided into shorter purchase periods, each approximately six months long.

Eligibility

Any person who is customarily employed at least 20 hours per week and five months per calendar year by the Company (or by any subsidiary of the Company designated by the Board) on the first day of an offering is eligible to participate in that offering, provided such employee has been continuously employed by the Company or the designated subsidiary corporation for at least five days preceding the first day of the offering. Officers of the Company who are highly compensated as defined in the Code are eligible to participate in the Purchase Plan.

However, no employee is eligible to participate in the Purchase Plan if, immediately after the grant of purchase rights, the employee would own, directly or indirectly, stock possessing 5% or more of the total combined voting power or value of all classes of stock of the Company or of any subsidiary of the Company (including any stock which such employee may purchase under all outstanding rights and options). In addition, no employee may purchase more than \$25,000 worth of common stock (determined at the FMV of the shares at the time such rights are granted) under all employee stock purchase plans of the Company and its subsidiary corporations in any calendar year. In addition to the preceding limitation, under future offerings, employees may not purchase more than an aggregate of 600,000 shares of common stock in any purchase period during an offering.

Participation in the Plan

Eligible employees enroll in the Purchase Plan by delivering to the Company, prior to the date selected by the Board as the offering date for the offering, an agreement authorizing payroll deductions of up to 15% of such employees' total compensation during the purchase period.

Purchase Price

The purchase price per share at which shares of common stock are sold in an offering under the Purchase Plan is the lower of (i) 85% of the FMV of a share of common stock on first day of the offering or (ii) 85% of the FMV of a share of common stock on the last day of the purchase period.

Payment of Purchase Price; Payroll Deductions

The purchase price of the shares is accumulated by payroll deductions during the offering. At any time during the offering, a participant may reduce or terminate his or her payroll deductions as the Board provides in the offering. A participant may not increase or begin such payroll deductions after the beginning of any purchase period. All payroll deductions made for a participant are credited to his or her account under the Purchase Plan and deposited with the general funds of the Company. If the Company is prohibited by law from deducting Purchase Plan contributions from a participant's payroll, then such participant may make deposits into his or her account by check.

Purchase of Stock

By executing an agreement to participate in the Purchase Plan, the employee is entitled to purchase shares under the Purchase Plan. In connection with offerings made under the Purchase Plan, the Board specifies a maximum number of shares of common stock an employee may be granted the right to purchase and the maximum aggregate number of shares of common stock that may be purchased pursuant to such offering by all participants. If the aggregate number of shares to be purchased upon exercise of rights granted in the offering would exceed the maximum aggregate number of shares of common stock available, the Board would make a pro rata allocation of available shares in a uniform and equitable manner. Unless the employee's participation is discontinued, his or her right to purchase shares is exercised automatically at the end of the purchase period at the applicable price. See "Withdrawal" below.

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Withdrawal

While each participant in the Purchase Plan is required to sign an agreement authorizing payroll deductions, the participant may withdraw from a given offering and terminate his or her payroll deductions by delivering to the Company a notice of withdrawal from the Purchase Plan. Such withdrawal may be elected at any time up to ten days prior to the end of the applicable purchase period.

Upon any withdrawal from an offering by the employee, the Company will distribute to the employee his or her accumulated payroll deductions without interest, less any accumulated deductions previously applied to the purchase of shares of common stock on the employee's behalf during such offering, and such employee's interest in the offering will be automatically terminated. The employee is not entitled to again participate in that offering. However, an employee's withdrawal from an offering will not have any effect upon such employee's eligibility to participate in subsequent offerings under the Purchase Plan.

Termination of Eligibility

Rights granted pursuant to any offering under the Purchase Plan terminate immediately upon cessation of an employee's eligibility for any reason, and the Company will distribute to such employee all of his or her accumulated payroll deductions, without interest.

Restrictions on Transfer

Rights granted under the Purchase Plan are not transferable and may be exercised only by the person to whom such rights are granted.

Adjustment Provisions

Transactions not involving receipt of consideration by the Company, such as a merger, consolidation, reorganization, stock dividend or stock split, may change the type(s), class(es) and number of shares of common stock subject to the Purchase Plan and to outstanding purchase rights. In that event, the Purchase Plan will be appropriately adjusted in the type(s), class(es) and maximum number of shares subject to the Purchase Plan and the outstanding purchase rights granted under the Purchase Plan will be appropriately adjusted in the type(s), class(es), number of shares and purchase limits of such purchase rights.

Effect of Certain Corporate Transactions

In the event of (i) the sale, lease, license or other disposition of all or substantially all of the assets of the Company, (ii) the sale or other disposition of all or substantially all of the outstanding securities of the Company or (iii) certain specified types of merger, consolidation or similar transactions (collectively, "corporate transaction"), any surviving or acquiring corporation may continue or assume rights outstanding under the Purchase Plan or may substitute similar rights. If any surviving or acquiring corporation does not assume such rights or substitute similar rights, then the participants' accumulated payroll deductions will be used to purchase shares of common stock immediately prior to the corporate transaction under the ongoing offering and the participants' rights under the ongoing offering will terminate immediately after such purchase.

In the event of a dissolution, liquidation or specified type of merger of the Company, the surviving corporation either will assume the rights under the Purchase Plan or substitute similar rights, or the exercise date of any ongoing offering will be accelerated such that the outstanding rights may be exercised immediately prior to, or concurrent with, any such event.

Duration, Amendment and Termination

The Board may suspend or terminate the Purchase Plan at any time. Unless terminated earlier, the Purchase Plan will terminate on June 8, 2008.

The Board may amend the Purchase Plan at any time. Any amendment of the Purchase Plan must be approved by the stockholders within 12 months of its adoption by the Board if the amendment would

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(i) increase the number of shares of common stock reserved for issuance under the Purchase Plan, (ii) modify the requirements relating to eligibility for participation in the Purchase Plan, or (iii) modify any other provision of the Purchase Plan in a manner that would materially increase the benefits accruing to participants under the Purchase Plan, if such approval is required in order to comply with the requirements of Rule 16b-3 under the Exchange Act.

Rights granted before amendment or termination of the Purchase Plan will not be altered or impaired by any amendment or termination of the Purchase Plan without consent of the employee to whom such rights were granted.

Federal Income Tax Information

Rights granted under the Purchase Plan are intended to qualify for favorable federal income tax treatment associated with rights granted under an employee stock purchase plan which qualifies under provisions of Section 423 of the Code.

A participant will be taxed on amounts withheld for the purchase of shares of common stock as if such amounts were actually received. Other than this, no income will be taxable to a participant until disposition of the acquired shares, and the method of taxation will depend upon the holding period of the acquired shares.

If the stock is disposed of more than two years after the beginning of the offering period and more than one year after the stock is transferred to the participant, then the lesser of (i) the excess of the FMV of the stock at the time of such disposition over the exercise price or (ii) the excess of the FMV of the stock as of the beginning of the offering period over the exercise price will be treated as ordinary income. Any further gain or any loss will be taxed as a long-term capital gain or loss. At present, such capital gains generally are subject to lower tax rates than ordinary income.

If the stock is sold or disposed of before the expiration of either of the holding periods described above, then the excess of the FMV of the stock on the exercise date over the exercise price will be treated as ordinary income at the time of such disposition. The balance of any gain will be treated as capital gain. Even if the stock is later disposed of for less than its FMV on the exercise date, the same amount of ordinary income is attributed to the participant, and a capital loss is recognized equal to the difference between the sales price and the FMV of the stock on such exercise date. Any capital gain or loss will be short-term or long-term, depending on how long the stock has been held.

There are no federal income tax consequences to the Company by reason of the grant or exercise of rights under the Purchase Plan. The Company is entitled to a deduction to the extent amounts are taxed as ordinary income to a participant (subject to the requirement of reasonableness and the satisfaction of tax reporting obligations).

PROPOSAL 4

RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS

The Board has selected Ernst & Young LLP as the Company's independent auditors for the fiscal year ending December 31, 2002 and has further directed that management submit the selection of independent auditors for ratification by the stockholders at the Annual Meeting. Ernst & Young LLP has audited the Company's financial statements since its inception in 1993. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Neither the Company's Bylaws nor other governing documents or law require stockholder ratification of the selection of Ernst & Young LLP as the Company's independent auditors. However, the Board is submitting the selection of Ernst & Young LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee and the Board will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee and the

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Board in their discretion may direct the appointment of different independent auditors at any time during the year if they determine that such a change would be in the best interests of the Company and its stockholders.

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting will be required to ratify the selection of Ernst & Young LLP. Abstentions will be counted toward the tabulation of votes cast on proposals presented to the stockholders and will have the same effect as negative votes. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this matter has been approved.

Audit Fees. During the fiscal year ended December 31, 2001, the aggregate fees billed by Ernst & Young LLP for the audit of the Company's financial statements for such fiscal year and for the review of the Company's interim financial statements were \$610,930.

Financial Information Systems Design and Implementation Fees. During the fiscal year ended December 31, 2001, the aggregate fees billed by Ernst & Young for information technology consulting fees was \$0.

All Other Fees. During fiscal year ended December 31, 2001, the aggregate fees billed by Ernst & Young LLP for professional services other than audit and information technology consulting fees was \$1,078,448, including audit related services of \$655,938 and nonaudit services of \$422,510. Audit related services generally include fees for statutory audits, transaction support, and SEC registration statements. Nonaudit services generally include tax compliance and tax consultations.

The Audit Committee has determined the rendering of the information technology consulting fees and all other non-audit services by Ernst & Young LLP is compatible with maintaining the auditor's independence.

THE BOARD OF DIRECTORS RECOMMENDS

A VOTE IN FAVOR OF PROPOSAL 4.

DIRECTORS AND EXECUTIVE OFFICERS

Our directors and executive officers and their ages as of March 22, 2002 are as follows:

Name	Age	Position
Zaki Rakib(2)	43	Chief Executive Officer, Secretary and Director
Shlomo Rakib	45	Chairman of the Board, President, Chief Technical Officer and Director
Carol Lustenader(4)	47	Chief Financial Officer
Ray M. Fritz(5)	56	Chief Financial Officer
Aleksander Krstajic(3)	38	Director
Christopher J. Schaepe(1)(2)	38	Director
Lewis Solomon(1)	68	Director

- (1) Member of Audit Committee
- (2) Member of Compensation Committee
- (3) Member of Compensation committee since March 2002
- (4) Chief Financial Officer as of November 1, 2001
- (5) Chief Financial Officer until November 1, 2001

The biographical information for the directors and certain executive officers is listed above, in Proposal One. Set forth below is the biographical information for the Executive Officer whose biographical information is not listed above.

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Carol Lustenader joined the Company in March 1999 as Director of Finance (Financial Planning and Analysis) and was later promoted to Group Director, Financial Planning and Analysis and then Vice President of Finance. In November 2001, she was promoted to Chief Financial Officer. Prior to joining the company, from December 1997 to October 1998, Ms. Lustenader was Manager of Financial Planning, Corporate

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Controller and Chief Financial Officer of GigaLabs, Inc., a provider of high performance input/ output switching solutions. From August 1995 until December 1997, Ms. Lustenader was Manager of Financial Planning and Analysis at Clarify, Inc., a provider of front office automation systems. Prior to that, Ms. Lustenader held a variety of senior financial management positions at Nellcor Puritan Bennett Incorporation, Pyramid Technology Corporation and Xerox Corporation. Ms. Lustenader holds a B.A. in Music from Wells College and a M.B.A. degree from the University of Rochester.

Ray M. Fritz retired from his position as the Company's Chief Financial Officer in November 2001. Mr. Fritz served as the Company's Chief Financial Officer from July 1998 until October 2001. From December 1997 to July 1998, Mr. Fritz was Vice President of Finance and Operations and Chief Financial Officer of Gigalabs Inc., a provider of high performance input/ output switching solutions. From August 1994 until August 1997, Mr. Fritz was with Clarify, Inc., a provider of front office automation systems, and from April 1986 to May 1990, Mr. Fritz served as Vice President and Controller of LSI Logic Corporation, a semiconductor company. Prior to that, he held a variety of finance positions with Xerox Corporation, The Singer Company and Shell Oil Company. Mr. Fritz holds a B.S. degree in finance/business administration from Benedictine College, a M.B.A. degree from Atlanta University and a M.S. degree in tax from Golden Gate University.

SECURITY OWNERSHIP OF**CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding the ownership of the Company's common stock as of March 22, 2002 by: (i) each director and nominee for director; (ii) each of the executive officers named in the Summary Compensation Table; (iii) all executive officers and directors of the Company as a group; and (iv) all those known by the Company to be beneficial owners of more than five percent of its common stock.

Beneficial Owner	Beneficial Ownership(1)	
	Number of Shares	Percent of Total
Credit Suisse First Boston(2) Uetlibergstrasse 231 P.O. Box 900 CH-8070 Zurich, Switzerland	5,343,025	7.35%
Shaw Communications, Inc.(2) Suite 900 630 3rd Avenue SW, Suite 900 Calgary Alberta T29 4L4 Canada	5,326,827	7.33%
Dr. Zaki Rakib(3)	3,568,704	4.91%
Selim (Shlomo) Rakib(4)	3,568,704	4.91%
Ray M. Fritz(5)	1,512	*
Carol W. Lustenader(6)	59,235	*
Chris J. Schaepe(7)	151,522	*
Lewis Solomon(8)	220,873	*
Aleksander Krstajic(9)	171,871	*
All executive officers and directors as a group (7 persons)(10)	7,742,421	10.56%

* Less than one percent.

(1) This table is based upon information supplied by officers, directors and principal stockholders and Schedules 13D and 13G filed with the SEC. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, the Company believes that each of the stockholders named in this table has sole voting and investment power with respect to the shares

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indicated as beneficially owned. Applicable percentages are based on 72,681,056 shares outstanding on March 22, 2002, adjusted as required by rules promulgated by the SEC.

- (2) Credit Suisse First Boston and Shaw Communications, Inc. share beneficial ownership of 5,326,827 pursuant to a transaction entered into between the parties.
- (3) Shares beneficially owned by Dr. Zaki Rakib include 240,000 shares of common stock held by the Zaki Rakib Children's Trust of which Dr. and Mrs. Rakib are trustees and 416,664 shares of common stock underlying stock options which are exercisable on or prior to May 21, 2002.
- (4) Shares beneficially owned by Selim Rakib include 240,000 shares of common stock held by the Selim Rakib Children's Trust of which Mr. and Mrs. Rakib are trustees and 416,664 shares of common stock underlying stock options which are exercisable on or prior to May 21, 2002.
- (5) Mr. Fritz's employment with the Company terminated on November 1, 2001.
- (6) Shares beneficially owned by Ms. Lustenader include 53,488 shares of common stock underlying stock options which are exercisable on or prior to May 21, 2002.
- (7) Shares beneficially owned by Mr. Schaepe include 20,775 shares held by entities associated with Weiss, Peck & Greer, L.L.C. Mr. Schaepe is a managing director of Weiss, Peck & Greer, L.L.C. and may be deemed to have voting and investment power over the shares of common stock held by entities associated with Weiss, Peck & Greer L.L.C., however Mr. Schaepe disclaims beneficial ownership as to all shares of common stock held by entities associated with Weiss, Peck & Greer, L.L.C., except to the extent of his pecuniary interest therein. Shares beneficially owned also include 130,517 shares of common stock underlying stock options which are exercisable on or prior to May 21, 2002.
- (8) Shares beneficially owned by Mr. Solomon include 160,873 shares of common stock underlying stock options that are exercisable on or prior to May 21, 2002.
- (9) Shares beneficially owned by Mr. Krstajic include 151,871 shares of common stock underlying stock options that are exercisable on or prior to May 21, 2002 and do not include the 1,687,618 shares of common stock held by entities associated with Rogers. Mr. &nb