

TERAYON COMMUNICATION SYSTEMS

Form 424B3

June 18, 2001

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

PROSPECTUS SUPPLEMENT NO. 2 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 The table on page 19 of the Prospectus setting forth information concerning the selling stockholders is superseded by the following table: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 June 15, 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 June 15, 2001, adjusted as required by rules promulgated by the SEC.

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

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Gary Rosenbach	288	288	
George A. Needham	577	577	
Harvard Private Capital Holdings, Inc.	57,660	57,660	5
Heimbuck Family Trust dtd 8/13/85; Jeffrey Heimbuck, Trustee	577	577	
Howard S. Flagg	58	58	
John F. Nicholson	289	289	
John Selling	144	144	
Kenneth and Roberta Eldred Revocable Trust, U/A dtd 1/28/83; Kenneth and Roberta Eldred, Trustees	1,442	1,442	
Leeway & Co.	33,484	33,484	3
Lorinda Mosca	10	10	
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	
Lydia Anderson	144	144	
Massachusetts Institute of Technology	40,362	40,362	4
Mellon Bank, N.A. as Trustee for the Bell Atlantic Master Trust	28,831	28,831	2
Needham & Company, Inc.	2,885	2,885	
Northern Trust Company as Trustee for Lucent Technologies Inc. Master Pension Trust	53,007	53,007	5
Norwest Equity Capital, L.L.C.	11,532	11,532	1
Oberlin College	11,532	11,532	1
Okoboji Trust dtd 6/19/85; James F. Willenborg, Trustee	1,442	1,442	
Price Trust U/T/A dtd 10/5/84, as amended; Thomas A. Price, Trustee	577	577	
Raj Rajaratnam	577	577	
Rector and Visitors of The University of Virginia	23,064	23,064	2
Richard I. Keeler Revocable Trust Restated dtd 7/19/94, As May Be Amended	288	288	
Robert C. Hawk	57	57	
Robert C. Hawk	288	288	
Robert M. Fell	144	144	
Roxanne Cooley	26	26	
SBC Master Pension Trust	57,660	57,660	5
Silicon Valley Bancshares	1,441	1,441	
Stradling, Yocca, Carlson & Rauth Profit Sharing Plan; CNA Trust Corporation, Trustee	577	577	
The William and Flora Hewlett Foundation	57,660	57,660	5
University of Chicago	23,064	23,064	2
Wallace R. Hawley Family Holdings, Ltd.	1,153	1,153	
Walton Investment, L.L.C.	11,532	11,532	1
Wellcome Trust; Wellcome Trust, Ltd., Trustee	43,245	43,245	4
William P. Cargile	58	58	
WS Investment Company 96A	288	288	
Yale University	43,245	43,245	4
VLG Investments	7,949	7,949	
Green Family Trust	1,987	1,987	
CAN Trust FBO Elias J. Blawie	1,987	1,987	

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Newbury Ventures, L.P.	84,960	84,960	8
Newbury Ventures Associates, L.P.	64,423	64,423	6
Comm Ventures, L.P.	193,584	193,584	19
Newbury Ventures Cayman, L.P.	22,840	22,840	2
Worldview Technology Partners I, L.P.	135,992	135,992	13
Worldview Technology Int'l I, L.P.	53,003	53,003	5
Worldview Strategic Partners I, L.P.	11,713	11,713	1
Nokia Corporation	66,903	66,903	6
Lucent Venture Partners, Inc.	82,118	82,118	8
John F. Hanley	1,763	1,763	
The Lawrence Trust: DTD 12/18/95; Maureen Lawrence & Augustus Lawrence III as TTEES	1,175	1,175	
Litman Family Trust 1998; Arle Litman as TTEE, DTD 8/98	588	588	
Hassan Parsa	588	588	
Neil Vasant	881	881	
Marc Rappoport	213	213	
Peter Rokkos	67	67	
LVP I LLC	67	67	
Issie Rabinovitch	27,597	27,597	2
Donald Thorne	22,078	22,078	2
George Marcus	11,039	11,039	1
Robert Rabin & Joan Rabin TTEES U/A DTD 7/16/82	11,039	11,039	1
Ron Snow	11,039	11,039	1
Dan Heffernan	11,039	11,039	1
Rabinovitch Ventures Limited	27,597	27,597	2
Howard Neff	11,039	11,039	1
Yuri Sharonin	24,777	24,777	2
Vladimir Taft	16,357	16,357	1
Robert M. Lefkowitz	18,866	18,866	1
Nicolay Makarov	15,003	15,003	1
Ardeshir Bordbar	13,698	13,698	1
Zinovy Krasnovsky	20,673	20,673	2
Kurt Vogel	14,451	14,451	1
Roy Wang	1,685	1,685	
Owen Frances	14,451	14,451	1
Edmund Johnson	2,408	2,408	
Lynette Webber	722	722	
Vlad Vohegursky	2,890	2,890	
Boris Zundelevich	3,371	3,371	
Oleg Kipnis	90	90	
Ana Raveica	75	75	
John Trick	481	481	

* 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.