

TERAYON COMMUNICATION SYSTEMS

Form 424B3

February 21, 2001

Filing Pursuant to Rule 424(b)(3)  
Registration Statement No. 333-37978

PROSPECTUS SUPPLEMENT NO. 1 DATED FEBRUARY 21, 2001  
TO PROSPECTUS DATED JANUARY 3, 2001

TERAYON COMMUNICATION SYSTEMS, INC.

536,766 Shares of Common Stock

Please read this prospectus supplement in conjunction with the prospectus dated January 3, 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 The table on page 19 of the Prospectus setting forth information concerning the selling stockholders is superseded by the following table: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 Ultracom which we consummated in April 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 July 5, 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 February 21, 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 February 21, 2001, adjusted as required by rules promulgated by the SEC.

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Selling Stockholder	Number of Shares	Shares Being Offered	Shares Held Escrow
Moshe Shahaf	6	6	
Orckit Communications Ltd.	28,202	28,202	3,2
Investec Clali Trust Company Ltd. (Ziv)	138	138	
Investec Clali Trust Company Ltd. (Katz)	8	8	
Howard Strachman	7,998	7,998	9
Jerusalem Pacific Ventures LP	5,000	5,000	3,1
Mofet Israel Technology Fund Ltd.	10,410	10,410	1,1
SVE Star Ventures Enterprises No. III GbR	10,074	10,074	1,1
SVE Star Ventures Enterprises No. IIIA	842	842	
SVM Star Ventures Managementgesellschaft mbH Nr. 3 & Co.	4,432	4,432	5
Beteiligung KG			
SVM Star Ventures Enterprises No. V	34,418	34,418	3,9
Star Management of Investments (1993) LP	6,056	6,056	6
Gilde IV Fund B.V.	18,478	18,478	2,1
One Liberty Fund III L.P.	112	112	
Unicycle Trading Co.	2,230	2,230	2

Selling Stockholder	Number of Shares	Shares Being Offered	Shares Held Escrow
Innovacom 2	7,436	7,436	8
Jerusalem Venture Partners L.P.	161,096	161,096	18,3
Jerusalem Venture Partners (Israel) L.P.	15,586	15,586	1,7
Gemini Israel II LP	50,988	50,988	5,7
Gemini Israel II Parallel Fund LP	40,004	40,004	4,5
Advent PGGM Gemini LP	6,500	6,500	7
Gemini Partner Investors LP	818	818	
Digital Media & Communications L.P.	5,206	5,206	5
Chin LIN	509	509	
Aharon Fogel	312	312	
China Venture Mgmt.	231	231	
Jay B. Morrison	547	547	
Bruce J. Bauer	547	547	
Ygal Ozechor	509	509	
Mike Loughry	370	370	
GAN FONDS D'INVESTISSEMENTS TRUST	878	878	
JVP Corp.	547	547	
IBBE, LLC	1,413	1,413	
Gunther Family Trust	774	774	
1677120 Canada Inc.	46	46	
Jack Nash	366	366	
Michael Rosenthal	183	183	
Nechi Investments Inc.	228	228	
Franfreluche Investments Inc.	228	228	
Unicycle Trading Company	2,483	2,483	
Hebrew University of Jerusalem	1,059	1,059	
Jerusalem Development Authority	1,059	1,059	
GAN FONDS D'INVESTISSEMENTS TRUST	4,386	4,386	
Kwang Hua Development & Investment Ltd.	1,271	1,271	
HV IPEP II - Partnership Fund LP-1	1,737	1,737	
HV IPEP II - Parallel Partnership Fund LP-1	111	111	

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HV IPEP II - Partnership Fund LP-2	1,044	1,044
HV IPEP II - Parallel Partnership Fund LP-2	67	67
Accountant General Govt. of Israel	1,342	1,342
Newbury Investors Inc.	46	46
Newbury Investors Inc.	81	81
Advent International Corporation	2,230	2,230
Investec Clali Trust Company Ltd. (as trustee for the employees)	46,018	46,018