

TERAYON COMMUNICATION SYSTEMS

Form 424B3

May 11, 2001

Filing Pursuant to Rule 424(b)(3)
Registration Statement No. 333-48536

PROSPECTUS SUPPLEMENT NO. 11 DATED MAY 11, 2001
TO PROSPECTUS DATED JANUARY 22, 2001

TERAYON COMMUNICATION SYSTEMS, INC.

\$500,000,000

of 5% Convertible Subordinated Notes Due 2007 and 5,951,673 Shares of
Common Stock Issuable Upon Conversion of the Notes

Please read this prospectus supplement in conjunction with the prospectus dated January 22, 2001 (the "Prospectus"). The table on pages 21 through 24 of the Prospectus setting forth information concerning the selling holders, the prospectus supplement no. 1 dated February 9, 2001, the prospectus supplement no. 2 dated February 16, 2001, the prospectus supplement No. 3 dated February 20, 2001, the prospectus supplement no. 4 dated February 23, 2001, the prospectus supplement no. 5 dated March 2, 2001, the prospectus supplement No. 6 dated March 16, 2001, the prospectus supplement no. 7 dated March 16, 2001, the prospectus supplement no. 8 dated March 23, 2001, the prospectus supplement no. 9 dated April 27, 2001 and the prospectus supplement no. 10 dated May 4, 2001 are superseded by the following table:

SELLING HOLDERS

We originally issued the Notes and the Notes were sold by the initial purchasers in a transaction exempt from the registration requirements of the Securities Act to persons reasonably believed by the initial purchasers to be qualified institutional buyers or other institutional accredited investors. Selling holders, including their transferees, pledgees or donees or their successors, may from time to time offer and sell pursuant to this prospectus any or all of the Notes and common stock into which the Notes are convertible. We agreed to use reasonable efforts to keep the registration statement effective until July 26, 2002. Our registration of the Notes and the shares of common stock into which the Notes are convertible does not necessarily mean that the selling holders will sell any or all of the Notes or the shares of the common stock into which the Notes are convertible.

The following table sets forth information, as of May 11, 2001, with respect to the selling holders and the principal amounts of Notes beneficially owned by each selling holder that may be offered under this prospectus. The information is based on information provided by or on behalf of the selling holders. The selling holders may offer all, some or none of the Notes or common stock into which the Notes are convertible. Because the selling holders may offer all or some portion of the Notes or the common stock, no estimate can be given as to the amount of the Notes or the common stock that will be held by the selling holders upon termination of any sales. In addition, the selling holders identified below may have sold, transferred or otherwise disposed of all or a portion of their Notes since the date on which they provided the information regarding their Notes in transactions exempt from the registration requirements of the Securities Act.

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| Selling Holder | Principal Amount of Notes Beneficially Owned and Offered | Common Stock Issuable upon Conversation of the Notes (1) | Common Stock Offered |
|---|---|---|-------------------------|
| AAM/Zazove Institutional Income | 1,200,000 | 14,284 | 14,284 |
| ABN AMRO Incorporated Fund, L.P. | 500,000 | 5,951 | 5,951 |
| AIG Soundshore Opportunity Holding Fund Ltd. | 2,488,000 | 29,615 | 29,615 |
| AIG Soundshore Strategic Holding Fund Ltd. | 2,185,000 | 26,008 | 26,008 |
| Alexandria Global Investment Fund I LTD. | 3,000,000 | 35,710 | 35,710 |
| Arbitex Master Fund, L.P. | 4,500,000 | 53,565 | 53,565 |
| Argent Classic Convertible Arbitrage Fund (Bermuda) L.P. | 15,000,000 | 178,550 | 178,550 |
| Argent Convertible Arbitrage Fund Ltd. | 1,000,000 | 11,903 | 11,903 |
| Aspen Global Technology Fund | 674,000 | 8,023 | 8,023 |
| Associated Electric & Gas Insurance Services Limited | 850,000 | 10,117 | 10,117 |
| AST Janus Small Cap Growth Portfolio | 8,185,000 | 97,429 | 97,429 |
| Aventis Pension Master Trust | 440,000 | 5,237 | 5,237 |
| Bank Austria Cayman Islands, Ltd. | 5,500,000 | 65,468 | 65,468 |
| Bank of America Securities, LLC | 5,000,000 | 59,516 | 59,516 |
| BankAmerica Pension Plan | 2,000,000 | 23,807 | 23,807 |
| Black Diamond Offshore, Ltd. | 665,000 | 7,916 | 7,916 |
| Boilermaker - Blacksmith Pension Trust | 2,700,000 | 32,139 | 32,139 |
| BS Debt Income Fund - Class A | 15,000 | 178 | 178 |
| CALAMOS(R) Convertible Portfolio - CALAMOS(R) Advisors Trust | 150,000 | 1,785 | 1,785 |
| CALAMOS(R) Convertible Technology Fund - CALAMOS(R) Investment Trust | 390,000 | 4,642 | 4,642 |
| CALAMOS(R) High Yield Fund - CALAMOS(R) Investment Trust | 390,000 | 4,642 | 4,642 |
| Canyon Capital Arbitrage Master Fund | 1,000,000 | 11,903 | 11,903 |

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Canyon Value Realization (Cayman) Ltd. 11,000,000 130,937 130,937

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| Selling Holder | Principal Amount of Notes Beneficially Owned and Offered | Common Stock Issuable upon Conversion of the Notes (1) | Common Stock Offered |
|--|---|---|----------------------------|
| CFFX, LLC | 1,000,000 | 11,903 | 11,903 |
| CIBC World Markets | 5,500,000 | 65,468 | 65,468 |
| City of Albany Pension Fund | 245,000 | 2,916 | 2,916 |
| City of Knoxville Pension System | 640,000 | 7,618 | 7,618 |
| Clinton Riverside Convertible Portfolio Limited | 2,100,000 | 24,997 | 24,997 |
| Cova Bond Debenture Fund | 500,000 | 5,952 | 5,952 |
| Coastal Convertibles Ltd. | 500,000 | 5,952 | 5,952 |
| Credit Suisse First Boston Corporation | 4,000,000 | 47,613 | 47,613 |
| Credit Research & Trading LLC | 2,193,000 | 26,104 | 26,104 |
| Deeprook + Co. | 2,000,000 | 23,807 | 23,807 |
| Delphi Financial Group, Inc. | 500,000 | 5,952 | 5,952 |
| Delta Airlines Master Trust | 4,900,000 | 58,326 | 58,326 |
| Delta Pilots Disability Survivorship Trust | 200,000 | 2,380 | 2,380 |
| Department of Fire & Police Pensions Systems | 7,075,000 | 84,216 | 84,216 |
| Deutsche Bank Securities Inc. | 56,134,000 | 668,182 | 668,182 |
| Double Black Diamond Offshore, LDC | 2,708,000 | 32,234 | 32,234 |
| Dreyfus High Yield Strategies Fund | 5,200,000 | 61,897 | 61,897 |
| Duckbill + Co. | 630,000 | 7,499 | 7,499 |
| Enron North America, Inc. | 1,000,000 | 11,903 | 11,903 |
| Elf Aquitaine | 150,000 | 1,786 | 1,786 |
| Florida Street Bond Fund | 1,000,000 | 11,903 | 11,903 |
| Fuji U.S. Income Open | 500,000 | 5,952 | 5,952 |

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|---|-----------|---------|---------|
| General Motors Employees Global | 6,175,000 | 73,503 | 73,503 |
| General Motors Welfare Benefit Trust (St. Veba) | 2,000,000 | 23,807 | 23,807 |
| Greek Catholic Union II | 45,000 | 535 | 535 |
| Greenlight Capital, L.P. | 4,437,000 | 52,815 | 52,815 |
| Greenlight Capital Offshore, Ltd. | 9,429,000 | 112,236 | 112,236 |
| Greenlight Capital Qualified, L.P. | 9,994,000 | 118,962 | 118,962 |
| Helix Convertible Opportunities Fund Ltd. | 2,660,000 | 31,662 | 31,662 |
| Helix Convertible Opportunities, L.P. | 3,140,000 | 37,376 | 37,376 |
| Helix Credit Arbitrage Master Fund, L.P. | 2,315,000 | 27,556 | 27,556 |
| IBM Retirement Plan - High Income | 525,000 | 6,249 | 6,249 |
| Ilanot Batucha Investment House LTD | 300,000 | 3,571 | 3,571 |

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| Selling Holder | Principal Amount of Notes Beneficially Owned and Offered | Common Stock Issuable upon Conversion of the Notes (1) | Common Stock Offered |
|--|--|--|----------------------|
| Israel Brokerage & Investments IBI LTD | 100,000 | 1,190 | 1,190 |
| Janus Global Technology Fund | 16,665,000 | 198,369 | 198,369 |
| Janus Venture Fund | 19,025,000 | 226,461 | 226,461 |
| Jefferies & Co. | 875,000 | 10,415 | 10,415 |
| Jersey (IMA) Ltd. | 250,000 | 2,976 | 2,976 |
| JMG Capital Partners, L.P. | 500,000 | 5,951 | 5,951 |
| JMG Triton Offshore Fund, Ltd. | 500,000 | 5,951 | 5,951 |
| J.P. Morgan Securities, Inc. | 5,030,000 | 59,873 | 59,873 |
| Julius Baer Securities, Inc. | 250,000 | 2,975 | 2,975 |
| JWF Global Technology Fund | 1,154,000 | 13,736 | 13,736 |
| JWF US Ventre Fund | 1,990,000 | 23,688 | 23,688 |
| KBC Financial Products USA Inc. | 4,500,000 | 53,565 | 53,565 |
| Kettering Medical Center Funded Depreciation Account | 160,000 | 1,904 | 1,904 |

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|--|------------|---------|---------|
| Kentfield Trading, Ltd. | 950,000 | 11,308 | 11,308 |
| Knoxville Utilities Board Retirement System | 400,000 | 4,761 | 4,761 |
| Lehman Brothers Inc. | 18,500,000 | 220,211 | 220,211 |
| Leonardo, L.P. | 12,000,000 | 142,840 | 142,840 |
| LibertyView Funds L.P. | 750,000 | 8,928 | 8,928 |
| Lonestar Partners, L.P. | 4,500,000 | 53,565 | 53,565 |
| Lord Abbett Bond Debenture Fund | 5,850,000 | 69,635 | 69,635 |
| Louisiana Workers' Compensation Corporation | 360,000 | 4,285 | 4,285 |
| Lumber Industries, Inc. | 750,000 | 8,927 | 8,927 |
| Lydian Overseas Partners Master Fund | 15,000,000 | 178,550 | 178,550 |
| Magten Asset Management Corp. Pension Plan & Trust | 485,000 | 5,773 | 5,773 |
| Magten Group Trust | 300,000 | 3,571 | 3,571 |
| McMahan Securities Co. L.P. | 1,000,000 | 11,903 | 11,903 |

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| Selling Holder | Principal Amount of Notes Beneficially Owned and Offered | Common Stock Issuable upon Conversion of the Notes (1) |
|--|---|---|
| ----- | ----- | ----- |
| Merrill, Lynch, Pierce, Fenner and Smith, Inc. | 16,000 | 190 |
| Miller Tabak Robert Securities, LLC | 45,000 | 535 |
| Morgan Stanley & Co. | 2,500,000 | 29,758 |
| Nomura/Janus Global Technology | 1,507,000 | 17,938 |
| Oxford Lord Abbett + Co. | 1,000,000 | 11,903 |
| Pacific Life Insurance Company | 1,000,000 | 11,903 |
| Peoples Benefit Life Insurance Company | 4,220,000 | 50,232 |
| Peoples Benefit Life Insurance Company (Teamsters Separate Account) | 6,250,000 | 74,395 |
| Port Authority of Allegheny County Retirement and Disability Allowance Plan for the Employees Represented by Local 85 of the Amalgamated Transit Union | 2,825,000 | 33,626 |

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|--|-----------|---------|
| Quattro Crestline Special Situations | 500,000 | 5,951 |
| Quattro Fund | 1,000,000 | 11,903 |
| Ramus Capital Group Holdings, Ltd. | 1,300,000 | 15,474 |
| RCG Latitude Master Fund, Ltd. | 200,000 | 2,380 |
| Research Capital Corporation | 9,650,000 | 114,867 |
| Retail Clerks Pension Trust | 2,000,000 | 23,807 |
| Retail Clerks Pension Trust #2 | 1,000,000 | 11,903 |
| Sage Capital | 3,000,000 | 35,710 |
| San Diego County Employee's Retirement Association | 475,000 | 5,654 |
| SPT | 1,100,000 | 13,093 |
| Spear, Leeds & Kellogg Capital Markets | 2,000,000 | 23,806 |
| St. Albans Partners Ltd. | 4,000,000 | 47,613 |
| Standard Mortgage Holding Corp. | 500,000 | 5,951 |
| The Bakal Company Limited Partnership | 150,000 | 1,785 |
| The Class IC Company, Ltd. | 1,500,000 | 17,855 |
| The Common Fund FAO Absolute Return Fund | 635,000 | 7,558 |

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| Selling Holder | Principal Amount of Notes Beneficially Owned and Offered | Common Stock Issuable upon Conversion of the Notes (1) | Common Stock Offered |
|---|--|--|----------------------|
| The Dow Chemical Company Employees' Retirement Plan | 5,325,000 | 63,385 | 63,385 |
| The Fondren Foundation | 165,000 | 1,964 | 1,964 |
| TQA Master Fund, LTD | 1,000,000 | 11,903 | 11,903 |
| TQA Master Plus Fund, Ltd. | 435,000 | 5,177 | 5,177 |
| UBS AG, London Branch | 20,000,000 | 238,066 | 238,066 |
| UBS Warburg AG | 2,000,000 | 23,806 | 23,806 |
| Unifi, Inc. Profit Sharing Plan and Trust | 255,000 | 3,035 | 3,035 |

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|--|----------------------|------------------|------------------|
| United Food and Commercial Workers Local 1262 and Employees Pension Fund | 1,260,000 | 14,998 | 14,998 |
| United Mizrahi Bank LTD | 50,000 | 595 | 595 |
| Valentis Investors LLC | 2,000,000 | 23,806 | 23,806 |
| Value Realization Fund B, LP | 500,000 | 5,952 | 5,952 |
| Value Realization Fund, L.P. | 8,000,000 | 95,227 | 95,227 |
| Van Waters & Rogers, Inc. Retirement Plan | 770,000 | 9,165 | 9,165 |
| Wasserstein Perella Securities Inc. | 7,600,000 | 90,465 | 90,465 |
| Worldwide Transactions, Ltd. | 127,000 | 1,512 | 1,512 |
| Zurich HFR Master Hedge Fund Index Ltd. | 300,000 | 3,571 | 3,571 |
| Any other holders of Notes or future holders (2) | 79,299,000 | 944,020 | 944,020 |
| Total | \$500,000,000 | 5,951,673 | 5,951,673 |

(1) Assumes a conversion rate of 11.9033 shares of common stock per \$1,000 principal amount of Notes and a cash payment in lieu of any fractional interest.

(2) Assumes that any other holders of Notes or any future transferee from any holder do not or will not beneficially own any common stock other than common stock into which the Notes are convertible at the conversion rate of 11.9033 shares of common stock per \$1,000 principal amount of Notes.

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None of the selling holders nor any of their affiliates, officers, directors or principal equity holders has held any position or office or has had any material relationship with us within the past three years with the exception of Deutsche Bank Securities, Inc. and Lehman Brothers, Inc. In the past three years, Deutsche Bank and Lehman Brothers have acted as underwriters of the Company's initial public offering and follow-on public offering and were initial purchasers in the offering of the Notes. The selling holders purchased all of the Notes in a private transaction. All of the Notes and the shares of common stock into which the Notes are convertible are "restricted securities" under the Securities Act.

Information concerning the selling holders may change from time to time and any changed information will be set forth in supplements to this prospectus if and when necessary. In addition, the conversion price, and therefore, the number of shares of common stock issuable upon conversion of the Notes, is subject to adjustment under certain circumstances. Accordingly, the aggregate principal amount of Notes and the number of shares of common stock into which the Notes are convertible may increase or decrease.

The date of this prospectus supplement no. 11 is May 11, 2001.

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