

TERAYON COMMUNICATION SYSTEMS
Form 4
July 24, 2007

FORM 4

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
RAKIB SHLOMO

2. Issuer Name and Ticker or Trading Symbol
TERAYON COMMUNICATION SYSTEMS [TERN.PK]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction (Month/Day/Year)
05/31/2007

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

2450 WALSH AVENUE

(Street)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

SANTA CLARA, CA 95051

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|---|
| | | | Code | V Amount (A) or (D) Price | | | |
| Common Stock | 05/31/2007 | | D | V 400,000 D (1) 0 | | D | |
| Common Stock | 07/20/2007 | | D | 240,000 D (2) 0 | | I | Co-Trustee of the Shlomo Rakib Children's Trust |
| Common Stock | 07/20/2007 | | D | 2,362,040 D (2) 0 | | D | |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Underlying Security (Instr. 3 and 4) | 8. Amount of Underlying Security (Instr. 3 and 4) |
|--|--|--------------------------------------|--|--------------------------------|------------------------------------|-----------------|--|-----------------|---|---|
| | | | | | Acquired (A) | Disposed of (D) | Date Exercisable | Expiration Date | | |
| Non-qualified Stock Option (right to buy) | \$ 2.45 | 07/20/2007 | | D | 500,000 | | 05/28/2005 | 05/27/2013 | Common Stock | 500,000 |
| Non-qualified Stock Option (right to buy) | \$ 6.8125 | 07/20/2007 | | D | 800,000 | | 02/14/2005 | 02/13/2011 | Common Stock | 800,000 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|---------|-------|
| | Director | 10% Owner | Officer | Other |
| RAKIB SHLOMO 2450 WALSH AVENUE SANTA CLARA, CA 95051 | | X | | |

Signatures

/s/ Rachel Nico,
attorney-in-fact

07/20/2007

__Signature of Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) "Bona fide gift" and involves no payment of consideration by the recipient of the gift.
- (2) Disposed of pursuant to the merger agreement between issuer and Motorola, Inc. in exchange for \$1.80 per share in cash on the effective date of the merger.
- (3) This option was cancelled pursuant to the merger agreement because the exercise price was greater than the merger consideration of \$1.80 per share.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.