

TERAYON COMMUNICATION SYSTEMS

Form 4

July 24, 2007

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
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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 Ownership (Instr. 4)	
			Code	V	Amount	(A) or (D)	Price	
Common Stock	05/31/2007		D	V	400,000	D	<u>(1)</u> 0	D
Common Stock	07/20/2007		D		240,000	D	<u>(2)</u> 0	I
Common Stock	07/20/2007		D		2,362,040	D	<u>(2)</u> 0	D

Co-Trustee of the Shlomo Rakib Children's Trust

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

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

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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. An
					Acquired (A)	Disposed of (D)	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	50
Non-qualified Stock Option (right to buy)	\$ 6.8125	07/20/2007		D		800,000	02/14/2005	02/13/2011	Common Stock	80

## 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.