

TOP IMAGE SYSTEMS LTD
Form 6-K
January 04, 2010

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

Form 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of January, 2010

Commission File Number 001-14552

Top Image Systems Ltd.
(Translation of registrant's name into English)

2 Ben Gurion Street, Ramat Gan, Israel 52573
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

This Form 6-K including all attachments is being incorporated by reference into the Registration Statement on Form S-8 (file no. 333-125064) and the Registration Statement on Form F-3 (file no. 333-119885).

CONTENTS

Attached is a translation of a notice filed with the Israeli Securities Authority and the Tel Aviv Stock Exchange ("TASE") on December 31, 2009 in regard to principles for settlement with debenture holders.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: January 4, 2010

Top Image Systems Ltd.

By: /s/ Ido Schechter

Ido Schechter
Chief Executive Officer

The principles of the settlement between Top Image Systems Ltd. (hereinafter: The Company) and holders of Debentures (Series A) (hereinafter: the Holders)

Payment for trust (11 million NIS) and payment of interest

The Company will pay The Holders the first payment of the debentures' trust (hereinafter: The First Payment), as well as the interest due on December 31st, 2009, as follows:

- a. A sum of 5.83 million NIS from The First Payment will be paid on December 31st, 2009;
- b. the interest payment due on December 31st, 2009 will be paid on time;
- c. a sum on 2 million NIS from The First Payment will be paid within 3 business days of the approval of this settlement, with an annual interest rate of 9% for the postponement period;
- d. No later than June 30th, 2010, the Company will pay the remainder of The First Payment of the debentures trust (hereinafter: The First Payment Remainder), with an annual interest rate of 9% for the postponement period.

Capital Raising

The Company will strive to the best of its ability to raise the necessary capital (by issuing rights or by another method). At the same time, the Company will consider replacing the debt as detailed below.

Debt Replacement

The trust note will be amended to reflect that the Company is entitled to repay the remainder of the undefrayed debentures at an early payment. In addition, the Company will be obligated to pay the remainder of the undefrayed debentures at an early payment in the case that an exit event occurs in which all or the majority of the Company's stock is sold. If early payment as detailed above will occur by June 30th, 2010, these early payments will be made in exchange for 80% of the remainder of the debentures trust and the accumulated interest by the day of payment. In order to remove any doubts it is hereby clarified that the above is not to diminish in any way the company's obligation to pay the First Payment Remainder in full, as detailed above.

Payment Distribution for Debentures Fund

The trust note will be amended to reflect that the remainder of the debentures fund (after the First Payment of 11 million NIS) will be distributed to seven equal payments of 4.7 million NIS each (hereinafter: Trust Distribution). The Company may postpone the payment of the second payment for the debentures' fund no later than June 30th, 2011, with an annual interest rate of 9% for the postponement period.

Interest

Any fund payment that will be postponed as part of the payment distribution, beyond its payment date according to the current trust note will have an annual interest rate of 9% for the postponement period. The interest for postponement will be distributed evenly in the fund, so that the actual interest of the undefrayed remainder of the debentures will be constant.
