

ROSETTA STONE INC
Form SC 13D/A
August 25, 2014

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

SCHEDULE 13D
Under the Securities Exchange Act of 1934
(Amendment No. 2)

ROSETTA STONE INC.
(Name of Issuer)

Common Stock
(Title of Class of Securities)

777780107
(CUSIP Number)

David Nierenberg
The D3 Family Funds
19605 NE 8th Street
Camas, WA 98607
(360) 604-8600

With a copy to:

Christopher P. Davis
Kleinberg, Kaplan, Wolff & Cohen, P.C.
551 Fifth Avenue
New York, NY 10176
(212) 986-6000

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

August 19, 2014
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D and is filing this schedule because of §§ 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box [x].

1 NAME OF REPORTING PERSONS

The D3 Family Fund, L.P.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

(a) [X]

(b) []

3 SEC USE ONLY

4 SOURCE OF FUNDS (See Instructions)

WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) []

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Washington

NUMBER OF SHARES

7

SOLE VOTING POWER

BENEFICIALLY

0

OWNED BY

8

SHARED VOTING POWER

EACH

321,177 common shares (1.5%)

REPORTING

PERSON

9

SOLE DISPOSITIVE POWER

WITH

0

10

SHARED DISPOSITIVE POWER

321,177

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

For the reporting person listed on this page, 321,177; for all reporting persons as a group, 1,689,887 shares (7.9%)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (See Instructions) []

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

For the reporting person listed on this page, 1.5%; for all reporting persons as a group 7.9%

14 TYPE OF REPORTING PERSON (See Instructions)

PN

1 NAME OF REPORTING PERSONS

The D3 Family Bulldog Fund, L.P.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

(a)

(b)

3 SEC USE ONLY

4 SOURCE OF FUNDS (See Instructions)

WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Washington

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER
		0
	8	SHARED VOTING POWER
		1,104,620 common shares (5.2%)
	9	SOLE DISPOSITIVE POWER
		0
	10	SHARED DISPOSITIVE POWER
		1,104,620

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

For the reporting person listed on this page, 1,104,620; for all reporting persons as a group, 1,689,887 shares (7.9%)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (See Instructions)

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

For the reporting person listed on this page, 5.2%; for all reporting persons as a group 7.9%

14 TYPE OF REPORTING PERSON (See Instructions)

PN

1 NAME OF REPORTING PERSONS

The DIII Offshore Fund, L.P.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

(a) [X]

(b) []

3 SEC USE ONLY

4 SOURCE OF FUNDS (See Instructions)

WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS

2(d) or 2(e) []

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Bahamas

NUMBER OF SHARES	7	SOLE VOTING POWER
BENEFICIALLY		0
OWNED BY	8	SHARED VOTING POWER
EACH		264,090 common shares (1.2%)
REPORTING		
PERSON	9	SOLE DISPOSITIVE POWER
WITH		0
	10	SHARED DISPOSITIVE POWER
		264,090

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

For the reporting person listed on this page, 264,090; for all reporting persons as a group, 1,689,887 shares (7.9%)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (See Instructions) []

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

For the reporting person listed on this page, 1.2%; for all reporting persons as a group 7.9%

14 TYPE OF REPORTING PERSON (See Instructions)

PN

1 NAME OF REPORTING PERSONS

Nierenberg Investment Management Company, Inc.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

(a)

(b)

3 SEC USE ONLY

4 SOURCE OF FUNDS (See Instructions)

AF

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Washington

NUMBER OF SHARES

7

SOLE VOTING POWER

BENEFICIALLY

0

OWNED BY

8

SHARED VOTING POWER

EACH

1,689,887 common shares (7.9%)

REPORTING

PERSON

9

SOLE DISPOSITIVE POWER

WITH

0

10

SHARED DISPOSITIVE POWER

1,689,887

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

For the reporting person listed on this page, 1,689,887; for all reporting persons as a group, 1,689,887 shares (7.9%)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (See Instructions)

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

For the reporting person listed on this page, 7.9%; for all reporting persons as a group 7.9%

14 TYPE OF REPORTING PERSON (See Instructions)

CO

1 NAME OF REPORTING PERSONS

Nierenberg Investment Management Offshore, Inc.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

(a)

(b)

3 SEC USE ONLY

4 SOURCE OF FUNDS (See Instructions)

AF

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Bahamas

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER
		0
	8	SHARED VOTING POWER
		264,090 common shares (1.2%)
	9	SOLE DISPOSITIVE POWER
		0
	10	SHARED DISPOSITIVE POWER
		264,090

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

For the reporting person listed on this page, 264,090; for all reporting persons as a group, 1,689,887 shares (7.9%)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (See Instructions)

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

For the reporting person listed on this page, 1.2%; for all reporting persons as a group 7.9%

14 TYPE OF REPORTING PERSON (See Instructions)

CO

1 NAME OF REPORTING PERSONS

David Nierenberg

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

(a)

(b)

3 SEC USE ONLY

4 SOURCE OF FUNDS (See Instructions)

AF

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

United States of America

NUMBER OF SHARES

7

SOLE VOTING POWER

BENEFICIALLY

0

OWNED BY

8

SHARED VOTING POWER

EACH

1,689,887 common shares (7.9%)

REPORTING

PERSON

9

SOLE DISPOSITIVE POWER

WITH

0

10

SHARED DISPOSITIVE POWER

1,689,887

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

For the reporting person listed on this page, 1,689,887; for all reporting persons as a group, 1,689,887 shares (7.9%)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (See Instructions)

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

For the reporting person listed on this page, 7.9%; for all reporting persons as a group 7.9%

14 TYPE OF REPORTING PERSON (See Instructions)

IN

This Amendment No.2 to Schedule 13D (this “Amendment”) amends the below-indicated items from the Schedule 13D with respect to the shares of common stock (the “Common Stock”) of Rosetta Stone Inc., (“RST” or the “Company”) previously filed by or on behalf of the Reporting Persons (as defined below), as previously amended (collectively, the “Schedule 13D”), by supplementing such Items with the information below.

The names of the persons filing this Amendment (collectively, the “Reporting Persons”) are: The D3 Family Fund, L.P. (the “Family Fund”), The D3 Family Bulldog Fund, L.P. (the “Bulldog Fund”), The DIII Offshore Fund, L.P. (the “Offshore Fund”), Nierenberg Investment Management Company, Inc. (“NIMCO”), Nierenberg Investment Management Offshore, Inc. (“NIMO”) and David Nierenberg (“Mr. Nierenberg”).

Item 4. Purpose of Transaction

Item 4 is hereby amended to add the following:

After the close of trading on August 21, Osmium Partners changed their filing status for their 9.95% ownership stake in Rosetta Stone (RST) from a passive 13G to an activist 13D.

We welcome Osmium’s conversion to active engagement in RST for these reasons:

1. While the D3 Funds are activists and generalists, investing in a number of different industries, Osmium focuses on internet commerce, social media, and digital marketing, where Osmium has deep expertise.
2. Recently Osmium has begun to engage more actively with a number of their portfolio companies. This summer their activism produced substantial change and stakeholder benefit at three of their portfolio companies: Kroger offered to buy Vitacost, where Osmium had placed a colleague on the board of directors; Realty offered to acquire ZipRealty, where Osmium had filed a 13D and worked to maximize stakeholder value; and Osmium’s slate of four directors won 88% of the votes cast for election to the board of Spark Networks and the board changed the focus and executive leadership of the company.
3. We expect that Osmium might bring similar passion, urgency, energy, and impact to matters of corporate governance, focus, and execution at RST. Our prior 13D’s demonstrate our belief that such changes are needed.

After our last filing, RST’s board chair and an independent member of the board reached out to us to discuss the suggestions made in our most recent 13D. We would characterize our relations and discussions with both directors as collaborative and constructive. Most of our conversation focused on possible changes in RST’s board of directors. We discussed the general attributes and experiences desirable in prospective additions to RST’s board, as well as the qualifications of several specific individuals whom we and Osmium had separately introduced to the company. We believe that forward progress has been, and is being, made.

We believe that a very significant number of RST shares are owned by shareholders who share our sense of urgency about the need for RST to sharpen its strategic focus and improve the quality of its execution as set forth in our 13D’s, to make changes in the composition of the board of directors, and to improve the quality of the company’s communications with the investment community. We believe that time is not the friend of any challenged company. Investor sentiment is crystallizing about the urgency for change at RST.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, each of the undersigned certifies that the information set forth in the Statement is true, complete and correct.

D3 Family Fund, L.P., D3 Family Bulldog Fund, L.P.

By: Nierenberg Investment Management Company, Inc.

Its: General Partner

August 25, 2014

By: /s/ David Nierenberg
David Nierenberg, President

DIII Offshore Fund, L.P.

By: Nierenberg Investment Management Offshore, Inc.

Its: General Partner

August 25, 2014

By: /s/ David Nierenberg
David Nierenberg, President

Nierenberg Investment Management
Company, Inc.

August 25, 2014

By: /s/ David Nierenberg
David Nierenberg, President

Nierenberg Investment Management
Offshore, Inc.

August 25, 2014

By: /s/ David Nierenberg
David Nierenberg, President

August 25, 2014

/s/ David Nierenberg
David Nierenberg