

ROSETTA STONE INC
Form SC 13D/A
November 20, 2014

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 13D

**INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO RULE 13d-1(a) AND AMENDMENTS THERETO FILED PURSUANT TO**

RULE 13d-2(a)

(Amendment No. 1)*

Rosetta Stone Inc.

(Name of Issuer)

Common Stock, par value \$0.00005 per share

(Title of Class of Securities)

777780107

(CUSIP Number)

Osmium Partners, LLC

300 Drakes Landing Road, Suite 172

Greenbrae, CA 94904

Attention: John H. Lewis

Telephone: (415) 785-4044

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

November 18, 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 Rule 13d-1(e), 13d-1(f) or 13d-1(g), check the following box .

Note. Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. *See* Rule 13d-7(b) for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, *see* the *Notes*.)

CUSIP No.: 777780107

1 NAME OF REPORTING PERSON

S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

John H. Lewis

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS

PF

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

..

6 CITIZENSHIP OR PLACE OF ORGANIZATION

United States

NUMBER OF 7 SOLE VOTING POWER

SHARES

BENEFICIALLY 309,383

8 SHARED VOTING POWER

OWNED BY

EACH

1,966,611

REPORTING 9 SOLE DISPOSITIVE POWER

PERSON

WITH 309,383

10 SHARED DISPOSITIVE POWER

| | |
|----|--|
| 11 | 1,966,611 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON |
| 12 | 2,275,994 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES |
| 13 | .. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) |
| 14 | 10.67% TYPE OF REPORTING PERSON |

IN

CUSIP No.: 777780107

1 NAME OF REPORTING PERSON

S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

2 Osmium Partners, LLC
CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS

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

..

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF 7 SOLE VOTING POWER

SHARES

BENEFICIALLY 0
8 SHARED VOTING POWER

OWNED BY

EACH

REPORTING 1,966,611
9 SOLE DISPOSITIVE POWER

PERSON

WITH

0
10 SHARED DISPOSITIVE POWER

| | |
|----|--|
| 11 | 1,966,611 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON |
| 12 | 1,966,611 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES |
| 13 | .. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) |
| 14 | 9.22% TYPE OF REPORTING PERSON |
| | IA, OO |

CUSIP No.: 777780107

1 NAME OF REPORTING PERSON

S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

2 Osmium Capital, LP
CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS

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

..

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF 7 SOLE VOTING POWER

SHARES

BENEFICIALLY 0
8 SHARED VOTING POWER

OWNED BY

EACH

629,502
REPORTING 9 SOLE DISPOSITIVE POWER

PERSON

WITH

0
10 SHARED DISPOSITIVE POWER

| | |
|----|--|
| 11 | 629,502 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON |
| 12 | 629,502 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES |
| 13 | .. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) |
| 14 | 2.95% TYPE OF REPORTING PERSON |

PN

CUSIP No.: 777780107

1 NAME OF REPORTING PERSON

S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

2 Osmium Capital II, LP
CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS

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

..

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF 7 SOLE VOTING POWER

SHARES

BENEFICIALLY 0

8 SHARED VOTING POWER

OWNED BY

EACH

482,668

REPORTING 9 SOLE DISPOSITIVE POWER

PERSON

WITH 0

10 SHARED DISPOSITIVE POWER

| | |
|----|--|
| 11 | 482,668 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON |
| 12 | 482,668 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES |
| 13 | .. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) |
| 14 | 2.26% TYPE OF REPORTING PERSON |

PN

CUSIP No.: 777780107

1 NAME OF REPORTING PERSON

S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

2 Osmium Spartan, LP
CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS

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

..

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF 7 SOLE VOTING POWER

SHARES

BENEFICIALLY 0
8 SHARED VOTING POWER

OWNED BY

EACH

REPORTING 195,034
9 SOLE DISPOSITIVE POWER

PERSON

WITH

0
10 SHARED DISPOSITIVE POWER

| | |
|----|--|
| 11 | 195,034 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON |
| 12 | 195,034 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES |
| 13 | .. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) |
| 14 | 0.91% TYPE OF REPORTING PERSON |
| | PN |

CUSIP No.: 777780107

1 NAME OF REPORTING PERSON

S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

2 Osmium Diamond, LP
CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS

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

..

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF 7 SOLE VOTING POWER

SHARES

BENEFICIALLY 0

8 SHARED VOTING POWER

OWNED BY

EACH

REPORTING 9 158,928
SOLE DISPOSITIVE POWER

PERSON

WITH 0

10 SHARED DISPOSITIVE POWER

| | |
|----|--|
| 11 | 158,928 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON |
| 12 | 158,928 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES |
| 13 | .. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) |
| 14 | 0.75% TYPE OF REPORTING PERSON |

PN

CUSIP No.: 777780107

1 NAME OF REPORTING PERSON

S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

2 Osmium Special Opportunity Fund, LP
CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS

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

..

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF 7 SOLE VOTING POWER

SHARES

BENEFICIALLY 0
8 SHARED VOTING POWER

OWNED BY

EACH

500,479
REPORTING 9 SOLE DISPOSITIVE POWER

PERSON

WITH

0
10 SHARED DISPOSITIVE POWER

| | |
|----|--|
| 11 | 500,479 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON |
| 12 | 500,479 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES |
| 13 | .. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) |
| 14 | 2.35% TYPE OF REPORTING PERSON |

PN

EXPLANATORY NOTE

This Amendment No. 1 to Schedule 13D (Amendment No. 1) is being filed with respect to the Reporting Persons beneficial ownership in Rosetta Stone Inc. (Rosetta or the Issuer). This Amendment No. 1 supplements the Schedule 13D as previously filed on August 21, 2014 (as amended, the Schedule 13D). Each Item below amends and supplements the information disclosed under the corresponding Item of the Schedule 13D. Unless otherwise indicated herein, capitalized terms used but not defined in this Amendment No. 1 shall have the same meaning herein as are ascribed to such terms in the Schedule 13D. Except as set forth herein, this Amendment No. 1 does not modify any of the information previously reported by the Reporting Persons in the Schedule 13D.

The Reporting Persons previously disclosed their beneficial ownership in Rosetta on Schedule 13G as filed with the Securities and Exchange Commission (the SEC) on March 5, 2013, as amended by Amendment No. 1 as filed with the SEC on February 12, 2014.

ITEM 3. Source and Amount of Funds or Other Consideration

The source and amount of funds (excluding commissions) used by the Funds in making their purchase of the shares of Common Stock owned by each of them in the aggregate was \$21,465,490.26 from working capital.

The source and amount of funds (excluding commissions) used by Mr. Lewis individually in making his purchase of the shares of Common Stock owned by him personally in the aggregate was \$3,958,573.01 from his personal funds.

One or more of the Reporting Persons effect purchases of securities through margin accounts which may extend margin credit to the Reporting Persons as and when required to open or carry positions in the margin accounts, subject to applicable federal margin regulations, stock exchange rules and brokers credit policies. In such instances, the positions held in the margin accounts are pledged as collateral security for the repayment of debit balances in the accounts.

ITEM 4. Purpose of Transaction.

As previously disclosed, the Reporting Persons purchased the Common Stock based on the belief that such securities, when purchased, were undervalued and represented an attractive investment opportunity. Although no Reporting Person has any specific plan or proposal to acquire or dispose of the Common Stock, consistent with its investment purpose, each Reporting Person at any time and from time to time may acquire additional Common Stock or dispose of any or all of its Common Stock depending upon an ongoing evaluation of the investment in the Common Stock, prevailing market conditions, other investment opportunities, liquidity requirements of the Reporting Persons, and/or other investment considerations. The purpose of the acquisitions of the Common Stock was for investment, and the acquisitions of the Common Stock were made in the ordinary course of business and were not made for the purpose of acquiring control of the Issuer.

On November 18, 2014 the Issuer entered into a Nomination and Support Agreement (the Agreement) with the Reporting Persons, pursuant to which the Reporting Persons agreed to certain standstill provisions and Rosetta agreed to take all action necessary to appoint and nominate Arthur John Hass III to the Issuer s Board of Directors (the Board). Under the Agreement, the Reporting Persons have agreed not to conduct a proxy contest for the election of directors with respect to the 2015 annual meeting of stockholders (the 2015 Annual Meeting) or any other annual meeting of stockholders during the Standstill Period (as such term is defined below) (each, an Applicable Meeting), and to vote in favor of, or abstain from voting for, all directors nominated by the Board for election at the 2015 Annual Meeting or any Applicable Meeting and for all other routine matters at such meetings supported by the Board.

The Agreement also provides that, during the Standstill Period, the Reporting Persons and their affiliates and associates will not beneficially own more than 16.5% of the total outstanding shares of common stock of the Issuer, provided that if the closing price per share of the Issuer's common stock on the New York Stock Exchange drops below \$6.50 per share for five consecutive trading days, this limit shall increase to 19.9% of the outstanding

shares of the Issuer's common stock until the closing sales price per share of the Issuer's common stock on the NYSE increases again to above \$6.50 on any trading day, at which time the limit is reduced to the shares beneficially owned by the Reporting Persons and their affiliates and associates as of the first date that the closing price of the Issuer's common stock on the NYSE is again above \$6.50.

The Standstill Period means the latest of (A) six months from November 18, 2014, (B) sixty days after Mr. Hass is no longer serving as a director of the Issuer, and (C) if Mr. Hass is a director at all times until the time nominations are due for the 2016 Annual Meeting and is nominated and agrees to serve on the Issuer's slate of director nominees for the 2016 Annual Meeting, the period from the printing of the proxy statement for that meeting until the conclusion of that meeting. The Standstill Period shall in no event extend beyond the date of the 2016 Annual Meeting.

As a condition to Mr. Hass's appointment as a director, the Issuer required Mr. Hass to sign a Director Agreement. Under the Director Agreement, Mr. Hass agreed that he does not, and while he is a director will not, receive any compensation from any of the Reporting Persons other than the return on his investment as a limited partner in various funds; have any investment authority with any of the Reporting Persons; or have any ownership interest in any Osmium Party other than his interest as a limited partner in certain funds. Under the Director Agreement, Mr. Hass agreed that he has not given any commitment or assurance as to how he would act or vote as a director on any issue or question, and he has agreed not to make such a commitment or assurance that could limit or interfere with his ability to comply with his fiduciary duties under applicable law. Mr. Hass has also agreed not to accept any compensation from anyone other than the Corporation with respect to his service as a director of the Issuer. Upon the occurrence of certain events including the Reporting Persons and their affiliates and associates ceasing to beneficially own at least 5% of the Issuer's outstanding common stock, the Issuer may cause Mr. Hass to resign from the Board and the Audit Committee.

Mr. Hass is a limited partner in various of the Osmium funds which own shares of Rosetta Stone common stock. Through his limited partnership interest in those funds, as of October 31, 2014, Mr. Hass had an indirect ownership interest in approximately 111,000 shares of Rosetta Stone stock, but he does not control the voting or disposition of those shares.

The foregoing description of the Agreement does not purport to be complete and is qualified in its entirety by reference to the Agreement, a copy of which is attached hereto as Exhibit 2 and is incorporated herein by reference.

The Issuer and the Reporting Persons have separately announced this Agreement and the appointment of Mr. Hass in Press Releases dated November 19, 2014, copies of which are attached hereto as Exhibits 3 and 4, respectively. The Issuer has also filed a Current Report on Form 8-K dated November 19, 2014 regarding the Agreement and the appointment of Mr. Hass, which included the Agreement and the Press Releases as exhibits thereto.

Except as disclosed above, none of the Reporting Persons has any other plans or proposals which relate to, or would result in, any of the matters referred to in paragraphs (a) through (j), inclusive, of the instructions to Item 4 of Schedule 13D. The Reporting Persons may, at any time and from time to time, review or reconsider their position and/or change their purpose and/or formulate plans or proposals with respect thereto.

ITEM 5. Interest in Securities of the Issuer.

(a) The Reporting Persons beneficially own:

- (i) Fund I directly owns 629,502 shares of Common Stock representing 2.95% of all of the outstanding shares of Common Stock of the Issuer.
- (ii) Fund II directly owns 482,668 shares of Common Stock representing 2.26% of all of the outstanding shares of Common Stock of the Issuer.
- (iii) Fund III directly owns 195,034 shares of Common Stock representing 0.91% of all of the outstanding shares of Common Stock of the Issuer.
- (iv) Fund IV directly owns 158,928 shares of Common Stock representing 0.75% of all of the outstanding shares of Common Stock of the Issuer.
- (v) Fund V directly owns 500,479 shares of Common Stock representing 2.35% of all of the outstanding shares of Common Stock of the Issuer.
- (vi) Osmium Partners, as the general partner of each of the Funds, may be deemed to beneficially own the 1,966,611 shares of Common Stock held by them, representing 9.22% of all of the outstanding shares of Common Stock of the Issuer.
- (vii) Mr. Lewis individually owns 309,383 shares of Common Stock representing 1.45% of all of the outstanding shares of Common Stock. Mr. Lewis may also be deemed to be the beneficial owner of the shares of Common Stock beneficially owned by Osmium Partners.
- (viii) Collectively, the Reporting Persons beneficially own 2,275,994 shares of Common Stock representing 10.67% of all of the outstanding shares of Common Stock.

Each Reporting Person disclaims beneficial ownership with respect to any shares of Common Stock other than the shares owned directly and of record by such Reporting Person.

The percentages set forth in this response are based on the 21,326,653 shares of Common Stock outstanding as of October 31, 2014, as reported by the Issuer in its Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 as filed with the SEC on November 5, 2014.

(b) Osmium Partners and Mr. Lewis may be deemed to share with Fund I, Fund II, Fund III, Fund IV and Fund V (and not with any third party) the power to vote or direct the vote of and to dispose or direct the disposition of the 629,502 shares of Common Stock, 482,668 shares of Common Stock, 195,034 shares of Common Stock, 158,928 shares of Common Stock, and 500,479 shares of Common Stock reported herein, respectively. Mr. Lewis, individually, has the power to vote or direct the vote of and to dispose or direct the disposition of the 309,383 shares of Common Stock

reported herein as individually owned by him.

Page 10 of 14 pages

(c) The following Reporting Persons engaged in the following open-market transactions with respect to the Issuer's Common Stock during the last 60 days:

Osmium Special Opportunity Fund, LP

| Transaction Date | Number of Shares | Price per Share | Type of Transaction |
|------------------|------------------------|-----------------------|------------------------|
| 10/14/2014 | 147,400 | \$ 7.60 | Purchase |

Other than the foregoing, no transactions in the Common Stock have been effected by the Reporting Persons in the last sixty (60) days.

(d) Not applicable.

(e) Not applicable.

ITEM 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.

The description of the Agreement set forth above in Item 4 is incorporated herein by reference in response to this Item 6.

ITEM 7. Material to be Filed as Exhibits.

Exhibit 1 Joint Filing Agreement

Exhibit 2 Nomination and Support Agreement

Exhibit 3 Press Release of the Issuer dated November 19, 2014

Exhibit 4 Press Release of the Reporting Persons dated November 19, 2014

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SIGNATURE

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

Dated: November 20, 2014

John H. Lewis
Osmium Partners, LLC
Osmium Capital, LP
Osmium Capital II, LP
Osmium Spartan, LP
Osmium Diamond, LP
Osmium Special Opportunity Fund, LP

By: /s/ John H. Lewis
John H. Lewis, for himself and as
Managing Member of Osmium
Partners, LLC, for itself and as General
Partner of Osmium Capital, LP,
Osmium Capital II, LP, Osmium
Spartan, LP, Osmium Diamond, LP
and Osmium Special Opportunity
Fund, LP

EXHIBIT INDEX

- Exhibit 1 Joint Filing Agreement
- Exhibit 2 Nomination and Support Agreement
- Exhibit 3 Press Release of the Issuer dated November 19, 2014
- Exhibit 4 Press Release of the Reporting Persons dated November 19, 2014

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