

ROSETTA STONE INC
Form SC 13D
August 21, 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.)*

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)

August 21, 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. x

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

reporting 1,819,211

9 Sole dispositive power

person

with 309,383

10 Shared dispositive power

1,819,211

11 Aggregate amount beneficially owned by each reporting person

2,128,594

12 Check box if the aggregate amount in Row (11) excludes certain shares

13 Percent of class represented by amount in Row (11)

9.995%

14 Type of reporting person

IN

CUSIP No.: 777780107

1 Name of reporting person

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

Osmium Partners, LLC

2 Check the appropriate box if a member of a group

(a) (b)

3 SEC use only

4 Source of funds

AF

5 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 1,819,211 Sole dispositive power

person

with 0

10 Shared dispositive power

1,819,211

11 Aggregate amount beneficially owned by each reporting person

1,819,211

12 Check box if the aggregate amount in Row (11) excludes certain shares

13 Percent of class represented by amount in Row (11)

8.54%

14 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

Osmium Capital, LP

2 Check the appropriate box if a member of a group

(a) (b)

3 SEC use only

4 Source of funds

WC

5 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 Sole dispositive power
629,502

person

with 0

10 Shared dispositive power

629,502

11 Aggregate amount beneficially owned by each reporting person

629,502

12 Check box if the aggregate amount in Row (11) excludes certain shares

13 Percent of class represented by amount in Row (11)

2.96%

14 Type of reporting person

PN

CUSIP No.: 777780107

1 Name of reporting person

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

Osmium Capital II, LP

2 Check the appropriate box if a member of a group

(a) (b)

3 SEC use only

4 Source of funds

WC

5 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 Sole dispositive power
482,668

person

with 0

10 Shared dispositive power

482,668

11 Aggregate amount beneficially owned by each reporting person

482,668

12 Check box if the aggregate amount in Row (11) excludes certain shares

13 Percent of class represented by amount in Row (11)

2.27%

14 Type of reporting person

PN

CUSIP No.: 777780107

1 Name of reporting person

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

Osmium Spartan, LP

2 Check the appropriate box if a member of a group

(a) (b)

3 SEC use only

4 Source of funds

WC

5 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 Sole dispositive power
195,034

person

with 0

10 Shared dispositive power

195,034

11 Aggregate amount beneficially owned by each reporting person

195,034

12 Check box if the aggregate amount in Row (11) excludes certain shares

13 Percent of class represented by amount in Row (11)

0.92%

14 Type of reporting person

PN

CUSIP No.: 777780107

1 Name of reporting person

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

Osmium Diamond, LP

2 Check the appropriate box if a member of a group

(a) (b)

3 SEC use only

4 Source of funds

WC

5 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 Sole dispositive power
158,928

person

with 0

10 Shared dispositive power

158,928

11 Aggregate amount beneficially owned by each reporting person

158,928

12 Check box if the aggregate amount in Row (11) excludes certain shares

13 Percent of class represented by amount in Row (11)

0.75%

14 Type of reporting person

PN

CUSIP No.: 777780107

1 Name of reporting person

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

Osmium Special Opportunity Fund, LP

2 Check the appropriate box if a member of a group

(a) (b)

3 SEC use only

4 Source of funds

WC

5 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 Sole dispositive power
353,079

person

with 0

10 Shared dispositive power

353,079

11 Aggregate amount beneficially owned by each reporting person

353,079

12 Check box if the aggregate amount in Row (11) excludes certain shares

13 Percent of class represented by amount in Row (11)

1.66%

14 Type of reporting person

PN

EXPLANATORY NOTE

This Statement on Schedule 13D reflects, that as of August 21, 2014, the Reporting Persons are disclosing their beneficial ownership in Rosetta Stone Inc. (Rosetta or the Issuer) on Schedule 13D instead of Schedule 13G. 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 1. Security and Issuer.

The class of equity securities to which this Statement on Schedule 13D (this Statement) relates is the common stock, par value \$0.00005 per share (the Common Stock), of Rosetta, with its principal executive offices located at 1919 North Lynn St., 7th Fl., Arlington, VA 22209.

ITEM 2. Identity and Background.

(a)-(c) and (f) The names of the persons jointly filing this statement on Schedule 13D (the Reporting Persons) are: (1) Osmium Capital, LP, a Delaware limited partnership (Fund I); (2) Osmium Capital II, LP, a Delaware limited partnership (Fund II); (3) Osmium Spartan, LP, a Delaware limited partnership (Fund III) (4) Osmium Diamond, LP (Fund IV) (5) Osmium Special Opportunity Fund, LP, a Delaware limited partnership (Fund V , and collectively with Fund I, Fund II, Fund III and Fund IV, the Funds); (6) Osmium Partners, LLC, a Delaware limited liability company (Osmium Partners); and (7) John H. Lewis, a United States Citizen (Lewis). Osmium Partners serves as the general partner of Fund I, Fund II , Fund III, Fund IV and Fund V. Mr. Lewis is the controlling member of Osmium Partners.

The principal business of each of Fund I, Fund II, Fund III, Fund IV and Fund V is that of a private investment vehicle engaged in investing and trading in a wide variety of securities and financial instruments for its own account. The principal business of Osmium Partners is providing investment management services and serving as the general partner of Fund I, Fund II, Fund III, Fund IV and Fund V. Mr. Lewis principal occupation is serving as the Managing Member of Osmium Partners.

(d) (e) During the last five years, none of the Reporting Persons have been (a) convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (b) a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

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 \$20,343,034.26 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.

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.

Consistent with their investment purpose, the Reporting Persons may engage in communications with one or more stockholders of the Issuer, one or more officers of the Issuer and/or one or more members of the board of directors of the Issuer and/or one or more representatives of the Issuer regarding the Issuer, including but not limited to its operations, and plans of the Reporting Persons. The Reporting Persons may discuss ideas that, if effected may result in a change in any of the following: the acquisition by persons of additional Common Stock of the Issuer, an extraordinary corporate transaction involving the Issuer, and/or other changes in the board of directors or management of the Issuer.

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 2.96% of all of the outstanding shares of Common Stock of the Issuer.
- (ii) Fund II directly owns 482,668 shares of Common Stock representing 2.27% of all of the outstanding shares of Common Stock of the Issuer.
- (iii) Fund III directly owns 195,034 shares of Common Stock representing 0.92% 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 353,079 shares of Common Stock representing 1.66% 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 1,819,211 shares of Common Stock held by them, representing 8.54% 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 2,128,594 shares of Common Stock representing 9.995% 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 21,295,571 shares of Common Stock outstanding as of July 31, 2014, as reported by the Issuer in its Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 as filed with the SEC on August 8, 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 353,079 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.

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(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 Capital, LP

Transaction Date	Number of Shares	Price per Share	Type of Transaction
7/29/2014	29,000	\$ 9.57	Purchase
7/30/2014	25,000	\$ 9.73	Purchase
8/1/2014	1,000	\$ 9.53	Purchase
8/6/2014	17,500	\$ 8.99	Purchase
8/8/2014	6,731	\$ 8.75	Purchase

Osmium Capital II, LP

Transaction Date	Number of Shares	Price per Share	Type of Transaction
8/6/2014	7,500	\$ 8.99	Purchase

Osmium Spartan, LP

Transaction Date	Number of Shares	Price per Share	Type of Transaction
8/6/2014	40,000	\$ 8.99	Purchase

Osmium Diamond, LP

Transaction Date	Number of Shares	Price per Share	Type of Transaction
8/7/2014	20,250	\$ 8.93	Purchase

John H. Lewis, Individually

Transaction Date	Number of Shares	Price per Share	Type of Transaction
7/15/2014	22,600	\$ 9.21	Purchase
7/16/2014	27,000	\$ 9.27	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.

Not applicable.

ITEM 7. Material to be Filed as Exhibits.

Exhibit 1 Joint Filing Agreement

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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: August 21, 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

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EXHIBIT INDEX

Exhibit 1 Joint Filing Agreement

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JOINT FILING AGREEMENT

In accordance with Rule 13d-1(k) under the Securities Exchange Act of 1934, as amended, the persons named below agree to the joint filing on behalf of each of them of a statement on Schedule 13D (including amendments thereto) with respect to the Common Stock, par value \$0.00005 per share, of Rosetta Stone Inc., and further agree that this Joint Filing Agreement be included as an Exhibit to such joint filing. In evidence thereof, the undersigned hereby execute this Agreement.

Dated: August 21, 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