

ROSETTA STONE INC
Form SC 13G
May 18, 2012

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

SCHEDULE 13G

Under the Securities Exchange Act of 1934

ROSETTA STONE INC
(Name of Issuer)

Common Stock
(Title of Class of Securities)

777780107
(CUSIP Number)

5/8/2012

(Date of Event which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

- Rule 13d-1(b)
- Rule 13d-1(c)
- Rule 13d-1(d)

* 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 ("Act") 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 PERSONS

The D3 Family Fund, L.P.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

- (a) [X]
(b) []

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Washington

| | | |
|---|----|---|
| NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | 5. | SOLE VOTING POWER 0 |
| | 6. | SHARED VOTING POWER 186,190 common shares (0.9%) |
| | 7. | SOLE DISPOSITIVE POWER 0 |
| | 8. | SHARED DISPOSITIVE POWER 186,190 |

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

For the reporting person listed on this page, 186,190; for all reporting persons as a group, 1,049,811 shares (5.0%)

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES []

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

For the reporting person listed on this page, 0.9%; for all reporting persons as a group 5.0%

12. TYPE OF REPORTING PERSON

PN

CUSIP No. 777780107

1. NAME OF REPORTING PERSONS

The D3 Family Bulldog Fund, L.P.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)

(b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Washington

NUMBER OF SHARES
BENEFICIALLY
OWNED BY
EACH
REPORTING
PERSON
WITH

5. SOLE VOTING POWER

0

6. SHARED VOTING POWER

678,467 common shares (3.2%)

7. SOLE DISPOSITIVE POWER

0

8. SHARED DISPOSITIVE POWER

678,467

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

For the reporting person listed on this page, 678,467; for all reporting persons as a group, 1,049,811 shares (5.0%)

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

For the reporting person listed on this page, 3.2%; for all reporting persons as a group 5.0%

12. TYPE OF REPORTING PERSON

PN

CUSIP No. 777780107

1. NAME OF REPORTING PERSONS

The D3 Family Canadian Fund, L.P.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)

(b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Washington

NUMBER OF SHARES
BENEFICIALLY
OWNED BY
EACH
REPORTING
PERSON
WITH

5. SOLE VOTING POWER

0

6. SHARED VOTING POWER

58,858 common shares (0.3%)

7. SOLE DISPOSITIVE POWER

0

8. SHARED DISPOSITIVE POWER

58,858

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

For the reporting person listed on this page, 58,858; for all reporting persons as a group, 1,049,811 shares (5.0%)

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

For the reporting person listed on this page, 0.3%; for all reporting persons as a group 5.0%

12. TYPE OF REPORTING PERSON

PN

CUSIP No. 777780107

1. NAME OF REPORTING PERSONS

The DIII Offshore Fund, L.P.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)

(b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Bahamas

NUMBER OF SHARES
BENEFICIALLY
OWNED BY
EACH
REPORTING
PERSON
WITH

5. SOLE VOTING POWER

0

6. SHARED VOTING POWER

126,296 common shares (0.6%)

7. SOLE DISPOSITIVE POWER

0

8. SHARED DISPOSITIVE POWER

126,296

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

For the reporting person listed on this page, 126,296; for all reporting persons as a group, 1,049,811 shares (5.0%)

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

For the reporting person listed on this page, 0.6%; for all reporting persons as a group 5.0%

12. TYPE OF REPORTING PERSON

PN

CUSIP No. 777780107

1. NAME OF REPORTING PERSONS

Nierenberg Investment Management Company, Inc.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)

(b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Washington

NUMBER OF SHARES
BENEFICIALLY
OWNED BY
EACH
REPORTING
PERSON
WITH

5. SOLE VOTING POWER

0

6. SHARED VOTING POWER

1,049,811 common shares (5.0%)

7. SOLE DISPOSITIVE POWER

0

8. SHARED DISPOSITIVE POWER

1,049,811

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

For the reporting person listed on this page, 1,049,811; for all reporting persons as a group, 1,049,811 shares (5.0%)

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

For the reporting person listed on this page, 5.0%; for all reporting persons as a group 5.0%

12. TYPE OF REPORTING PERSON

CO

CUSIP No. 777780107

1. NAME OF REPORTING PERSONS

Nierenberg Investment Management Offshore, Inc.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)

(b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Bahamas

NUMBER OF SHARES
BENEFICIALLY
OWNED BY
EACH
REPORTING
PERSON
WITH

5. SOLE VOTING POWER

0

6. SHARED VOTING POWER

126,296 common shares (0.6%)

7. SOLE DISPOSITIVE POWER

0

8. SHARED DISPOSITIVE POWER

126,296

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

For the reporting person listed on this page, 126,296; for all reporting persons as a group, 1,049,811 shares (5.0%)

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

For the reporting person listed on this page, 0.6%; for all reporting persons as a group 5.0%

12. TYPE OF REPORTING PERSON

CO

CUSIP No. 777780107

1. NAME OF REPORTING PERSONS

David Nierenberg

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)

(b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

United States of America

NUMBER OF SHARES
BENEFICIALLY
OWNED BY
EACH
REPORTING
PERSON
WITH

5. SOLE VOTING POWER

0

6. SHARED VOTING POWER

1,049,811 common shares (5.0%)

7. SOLE DISPOSITIVE POWER

0

8. SHARED DISPOSITIVE POWER

1,049,811

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

For the reporting person listed on this page, 1,049,811; for all reporting persons as a group, 1,049,811 shares (5.0%)

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

For the reporting person listed on this page, 5.0%; for all reporting persons as a group 5.0%

12. TYPE OF REPORTING PERSON

IN

Item 1.

(a) Name of Issuer:

Rosetta Stone, Inc.

Address of Issuer's Principal Executive Offices:

(b)

1919 North Lynn Street, Arlington, VA 22209

Item 2.

(a), (c) Name of Person Filing and Citizenship:

The names of the persons filing this Schedule 13G (collectively, the "Reporting Persons") are:

- The D3 Family Fund, L.P., a Washington limited partnership (the "Family Fund");
- The D3 Family Bulldog Fund, L.P., a Washington limited partnership (the "Bulldog Fund");
- The D3 Family Canadian Fund, L.P., a Washington limited partnership (the "Canadian Fund");
- The DIII Offshore Fund, L.P., a Bahamas limited partnership (the "Offshore Fund");
- Nierenberg Investment Management Company, Inc., a Washington corporation ("NIMCO") which is the sole general partner of those D3 Funds organized under the law of the State of Washington;
- Nierenberg Investment Management Offshore, Inc., which is a wholly-owned subsidiary of NIMCO and is the sole general partner of the D3 Funds organized under the law of The Bahamas ("NIMO");
- David Nierenberg, a United States citizen ("Mr. Nierenberg"), who is the President of each of the two general partners.

(b) Address of Principal Business Office or, if None, Residence:

The business address of each of the Reporting Persons is 19605 N.E. 8th Street, Camas, Washington 98607.

Title of Class of Securities: Common Stock

(d)

CUSIP Number: 777780107

(e)

Item 3. If This Statement is Filed Pursuant to Rule 13d-1(b), or 13d-2(b) or (c), Check Whether the Person Filing is
a: N/A

(a) " Broker or dealer registered under Section 15 of the Act (15 U.S.C. 78o);

- (b) " Bank as defined in Section 3(a)(6) of the Act (15 U.S.C. 78c);
- (c) " Insurance company as defined in Section 3(a)(19) of the Act (15 U.S.C. 78c);
- (d) " Investment company registered under Section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8);
- (e) " An investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E);
- (f) " An employee benefit plan or endowment fund in accordance with Rule 13d-1(b)(1)(ii)(F);
- (g) " A parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G);
- (h) " A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);
- (i) " A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);
- (j) " Group, in accordance with Rule 13d-1(b)(1)(ii)(J).

Item 4. Ownership.

(a)-(b) Amount beneficially owned; Percent of Class:

The Reporting Persons, in the aggregate, beneficially own 1,049,811 Shares, constituting approximately 5.0% of the outstanding shares of Common Stock.

(c) Number of shares as to which such person has:

(i)-(iii) None of the Reporting Persons has the sole power (A) to vote or direct the vote of, or (B) to dispose or direct the disposition of, any shares of Common Stock

(ii)-(iv) The Family Fund, NIMCO and Mr. Nierenberg have shared power (A) to vote or direct the vote of, and (B) to dispose or direct the disposition of, the 186,190 shares of Common Stock held by the Family Fund.

The Bulldog Fund, NIMCO and Mr. Nierenberg have shared power (A) to vote or direct the vote of, and (B) to dispose or direct the disposition of, the 678,467 shares of Common Stock held by the Bulldog Fund.

The Canadian Fund, NIMCO and Mr. Nierenberg have shared power (A) to vote or direct the vote of, and (B) to dispose or direct the disposition of, the 58,858 shares of Common Stock held by the Canadian Fund.

The Offshore Fund, NIMO, NIMCO and Mr. Nierenberg have shared power (A) to vote or direct the vote of, and (B) to dispose or direct the disposition of, the 126,296 shares of Common Stock held by the Offshore Fund.

Item 5. Ownership of Five Percent or Less of a Class.

N/A

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

N/A

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company or Control Person.

N/A

Item 8. Identification and Classification of Members of the Group.

Exhibit 1 hereto is the Joint Filing Agreement among the Reporting Persons dated March 5, 2008 pursuant to which all of the Reporting Persons have authorized the filings under Regulation 13D-G and amendments thereto as a group.

Item 9. Notice of Dissolution of Group.

N/A

Item 10. Certification.

By signing below each of the undersigned certifies that, to the best of its or his knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

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

By: Nierenberg Investment Management Company, Inc.

Its: General Partner

May 18, 2012

By: /s/ David Nierenberg
David Nierenberg, President

The DIII Offshore Fund, L.P.

By: Nierenberg Investment Management Offshore, Inc.

Its: General Partner

May 18, 2012

By: /s/ David Nierenberg
David Nierenberg, President

Nierenberg Investment Management
Company, Inc.

May 18, 2012

By: /s/ David Nierenberg
David Nierenberg, President

Nierenberg Investment Management
Offshore, Inc.

May 18, 2012

By: /s/ David Nierenberg
David Nierenberg, President

May 18, 2012

/s/ David Nierenberg
David Nierenberg, President

EXHIBIT 1

JOINT FILING AGREEMENT (RESTATED)

WHEREAS, the undersigned (collectively, the "Reporting Persons") from time to time make filings with the Securities and Exchange Commission pursuant to Regulation 13D-G under the Securities Exchange Act of 1934, as amended; and

WHEREAS, the Reporting Persons prefer to make joint filings on behalf of all Reporting Persons rather than individual filings on behalf of each of the Reporting Persons;

NOW, THEREFORE, the undersigned hereby agree as follows with each of the other Reporting Persons:

1. Each of the Reporting Persons is individually eligible to make joint filings.
 2. Each of the Reporting Persons is responsible for timely making joint filings and any amendments thereto.
 3. Each of the Reporting Persons is responsible for the completeness and accuracy of the information concerning such person contained in joint filings.
 4. None of the Reporting Persons is responsible for the completeness or accuracy of the information concerning the other Reporting Persons contained in joint filings, unless such person knows or has reason to believe that such information is inaccurate.
 5. This Joint Filing Agreement amends, restates and supersedes the Joint Filing Agreement (Restated) dated August 3, 2007 by and among certain of the undersigned, but only as to those filings to be made by all Reporting Persons.
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6. The undersigned agree that each joint filing made on or after the date hereof will be, and any amendment thereto will be, made on behalf of each of the Reporting Persons.

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

By: Nierenberg Investment Management Company, Inc.

Its: General Partner

March 5, 2008 By: /s/ David Nierenberg
David Nierenberg, President

The DIII Offshore Fund, L.P.

By: Nierenberg Investment Management Offshore, Inc.

Its: General Partner

March 5, 2008 By: /s/ David Nierenberg
David Nierenberg, President

Nierenberg Investment Management
Company, Inc.

March 5, 2008 By: /s/ David Nierenberg
David Nierenberg, President

Nierenberg Investment Management
Offshore, Inc.

March 5, 2008 By: /s/ David Nierenberg
David Nierenberg, President

March 5, 2008 /s/ David Nierenberg
David Nierenberg, President