

BITSTREAM INC  
Form SC 13D  
September 08, 2009

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

SCHEDULE 13D  
(Rule 13d-101)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT  
TO § 240.13d-1(a) AND AMENDMENTS THERETO FILED PURSUANT TO  
§ 240.13d-2(a)

(Amendment No. )1

Bitstream Inc.

(Name of Issuer)

Class A Common Stock, par value \$0.01 per share  
(Title of Class of Securities)

091736108

(CUSIP Number)

STEVEN WOLOSKY, ESQ.  
OLSHAN GRUNDMAN FROME ROSENZWEIG & WOLOSKY LLP  
Park Avenue Tower  
65 East 55th Street  
New York, New York 10022  
(212) 451-2300

(Name, Address and Telephone Number of Person

Authorized to Receive Notices and Communications)

September 1, 2009

(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.

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See § 240.13d-7 for other parties to whom copies are to be sent.

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1 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.

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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).

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CUSIP NO. 091736108

1 NAME OF REPORTING PERSON

Raging Capital 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 SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | 7  | SOLE VOTING POWER        |
|   |    | - 0 -                    |
|   | 8  | SHARED VOTING POWER      |
|   |    | 443,952                  |
|   | 9  | SOLE DISPOSITIVE POWER   |
|   |    | - 0 -                    |
|   | 10 | SHARED DISPOSITIVE POWER |
|   |    | 443,952                  |

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

443,952

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

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

4.5%

14 TYPE OF REPORTING PERSON

PN

CUSIP NO. 091736108

1 NAME OF REPORTING PERSON

Raging Capital Fund (QP), 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 SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | 7  | SOLE VOTING POWER        |
|   |    | - 0 -                    |
|   | 8  | SHARED VOTING POWER      |
|   |    | 417,484                  |
|   | 9  | SOLE DISPOSITIVE POWER   |
|   |    | - 0 -                    |
|   | 10 | SHARED DISPOSITIVE POWER |
|   |    | 417,484                  |

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

417,484

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

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

4.2%

14 TYPE OF REPORTING PERSON

PN

CUSIP NO. 091736108

1 NAME OF REPORTING PERSON

Raging Capital Management, 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 SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | 7  | SOLE VOTING POWER        |
|   |    | - 0 -                    |
|   | 8  | SHARED VOTING POWER      |
|   |    | 861,436                  |
|   | 9  | SOLE DISPOSITIVE POWER   |
|   |    | - 0 -                    |
|   | 10 | SHARED DISPOSITIVE POWER |
|   |    | 861,436                  |

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

861,436

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

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

8.7%

14 TYPE OF REPORTING PERSON

OO

CUSIP NO. 091736108

1 NAME OF REPORTING PERSON

William C. Martin

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

USA

|   |    |                          |
|---|----|--------------------------|
| NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | 7  | SOLE VOTING POWER        |
|   |    | - 0 -                    |
|   | 8  | SHARED VOTING POWER      |
|   |    | 861,436                  |
|   | 9  | SOLE DISPOSITIVE POWER   |
|   |    | - 0 -                    |
|   | 10 | SHARED DISPOSITIVE POWER |
|   |    | 861,436                  |

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

861,436

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

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

8.7%

14 TYPE OF REPORTING PERSON

IN

CUSIP NO. 091736108

The following constitutes the Schedule 13D filed by the undersigned (the "Schedule 13D").

Item 1. Security and Issuer.

This statement relates to the Class A Common Stock, par value \$0.01 per share (the "Shares"), of Bitstream Inc. (the "Issuer"). The address of the principal executive offices of the Issuer is 245 First Street, 17th Floor, Cambridge, Massachusetts 02142.

Item 2. Identity and Background.

(a) This statement is filed by:

- (i) Raging Capital Fund, LP, a Delaware limited partnership ("Raging Capital Fund");
- (ii) Raging Capital Fund (QP), LP, a Delaware limited partnership ("Raging Capital Fund QP" and together with Raging Capital Fund, the "Raging Funds");
- (iii) Raging Capital Management, LLC, a Delaware limited liability company ("Raging Capital"), who serves as the general partner of each of the Raging Funds; and
- (iv) William C. Martin ("Mr. Martin"), who serves as the managing member of Raging Capital.

Each of the foregoing is referred to as a "Reporting Person" and collectively as the "Reporting Persons." Each of the Reporting Persons is party to that certain Joint Filing Agreement, as further described in Item 6. Accordingly, the Reporting Persons are hereby filing a joint Schedule 13D.

(b) The address of the principal office of each of the Reporting Persons is 254 Witherspoon Street, Princeton, New Jersey 08542.

(c) The principal business of each of the Raging Funds is investing in securities. The principal business of Raging Capital is serving as the general partner of each of the Raging Funds. The principal occupation of Mr. Martin is serving as the managing member of Raging Capital.

(d) No Reporting Person has, during the last five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

(e) No Reporting Person has, during the last five years, been 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.

(f) The Raging Funds and Raging Capital are organized under the laws of the State of Delaware. Mr. Martin is a citizen of the United States of America.

CUSIP NO. 091736108

Item 3. Source and Amount of Funds or Other Consideration.

The aggregate purchase price of the 861,436 Shares owned directly by the Raging Funds is approximately \$4,911,000, including brokerage commissions. The Shares owned directly by the Raging Funds were acquired with the working capital of the Raging Funds.

The Raging Funds effect purchases of securities primarily through margin accounts maintained for them with prime brokers, which may extend margin credit to them as and when required to open or carry positions in the margin accounts, subject to applicable federal margin regulations, stock exchange rules and the prime 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 originally purchased the Shares based on the Reporting Persons' belief that the Shares, when purchased, were undervalued and represented an attractive investment opportunity. Depending upon overall market conditions, other investment opportunities available to the Reporting Persons, and the availability of Shares at prices that would make the purchase or sale of Shares desirable, the Reporting Persons may endeavor to increase or decrease their position in the Issuer through, among other things, the purchase or sale of Shares on the open market or in private transactions or otherwise, on such terms and at such times as the Reporting Persons may deem advisable.

No Reporting Person has any present plan or proposal which would relate to or result in any of the matters set forth in subparagraphs (a) - (j) of Item 4 of Schedule 13D except as set forth herein or such as would occur upon completion of any of the actions discussed above. The Reporting Persons intend to review their investment in the Issuer on a continuing basis and engage in discussions with management and the board of directors of the Issuer concerning the business, operations and future plans of the Issuer. Depending on various factors including, without limitation, the Issuer's financial position and investment strategy, the price levels of the Shares, conditions in the securities markets and general economic and industry conditions, the Reporting Persons may in the future take such actions with respect to their investment in the Issuer as they deem appropriate including, without limitation, seeking board representation, making proposals to the Issuer concerning changes to the capitalization, ownership structure or operations of the Issuer, purchasing additional Shares, selling some or all of their Shares, engaging in short selling of or any hedging or similar transaction with respect to the Shares or changing their intention with respect to any and all matters referred to in Item 4.

Item 5. Interest in Securities of the Issuer.

(a) The aggregate percentage of Shares reported owned by each person named herein is based upon 9,867,505 Shares outstanding as of August 12, 2009, which is the total number of Shares outstanding as reported in the Issuer's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 14, 2009.

As of the close of business on September 4, 2009, Raging Capital Fund directly owned 443,952 Shares, constituting approximately 4.5% of the Shares outstanding. By virtue of their relationships with Raging Capital Fund discussed in further detail in Item 2, each of Raging Capital and Mr. Martin may be deemed to beneficially own the Shares owned by Raging Capital Fund.

As of the close of business on September 4, 2009, Raging Capital Fund QP directly owned 417,484 Shares, constituting approximately 4.2% of the Shares outstanding. By virtue of their relationships with Raging Capital Fund QP discussed in further detail in Item 2, each of Raging Capital and Mr. Martin may be deemed to beneficially own

the Shares owned by Raging Capital Fund QP.

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CUSIP NO. 091736108

(b) Each of the Raging Funds shares with Raging Capital and Mr. Martin the power to vote and dispose of the Shares directly owned, respectively, by the Raging Funds.

(c) Schedule A annexed hereto lists all transactions in securities of the Issuer during the past sixty days by the Reporting Persons. All of such transactions were effected in the open market.

(d) No person other than the Reporting Persons is known to have the right to receive, or the power to direct the receipt of dividends from, or proceeds from the sale of, the Shares.

(e) Not applicable.

The filing of this Schedule 13D shall not be construed as an admission that the Reporting Persons are, for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended, the beneficial owners of any of the Shares reported herein. Each of the Reporting Persons specifically disclaims beneficial ownership of the Shares reported herein that are not directly owned by such Reporting Person.

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

On September 8, 2009, the Reporting Persons entered into a Joint Filing Agreement in which the Reporting Persons agreed to the joint filing on behalf of each of them of statements on Schedule 13D with respect to securities of the Issuer, to the extent required by applicable law. A copy of this agreement is attached as an exhibit hereto and is incorporated herein by reference.

Other than as described herein, there are no contracts, arrangements, understandings or relationships among the Reporting Persons, or between the Reporting Persons and any other person, with respect to the securities of the Issuer.

Item 7. Material to be Filed as Exhibits.

99.1 Joint Filing Agreement by and among Raging Capital Fund, LP, Raging Capital Fund (QP), LP, Raging Capital Management, LLC and William C. Martin, dated September 8, 2009.

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SIGNATURES

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

Dated: September 8, 2009

Raging Capital Fund, LP

By: Raging Capital Management, LLC  
General Partner

By: /s/ William C. Martin  
Name: William C. Martin  
Title: Managing Member

Raging Capital Fund (QP), LP

By: Raging Capital Management, LLC  
General Partner

By: /s/ William C. Martin  
Name: William C. Martin  
Title: Managing Member

Raging Capital Management, LLC

By: /s/ William C. Martin  
Name: William C. Martin  
Title: Managing Member

/s/ William C. Martin  
William C. Martin

CUSIP NO. 091736108

## SCHEDULE A

## Transactions in the Shares During the Past 60 Days

| Shares of Common<br>Stock Purchased | Price Per<br>Share(\$) | Date of<br>Purchase |
|-------------------------------------|------------------------|---------------------|
|-------------------------------------|------------------------|---------------------|

## RAGING CAPITAL FUND, LP

|        |        |            |
|--------|--------|------------|
| 6,159  | 5.7324 | 08/04/2009 |
| 5,450  | 5.7100 | 08/05/2009 |
| 15,163 | 5.4162 | 08/06/2009 |
| 2,998  | 5.4320 | 08/11/2009 |
| 2,507  | 5.3817 | 08/13/2009 |
| 4,360  | 5.2523 | 08/17/2009 |
| 164    | 5.0800 | 08/26/2009 |
| 26,705 | 4.8500 | 09/01/2009 |

## RAGING CAPITAL FUND (QP), LP

|        |        |            |
|--------|--------|------------|
| 5,141  | 5.7324 | 08/04/2009 |
| 4,550  | 5.7100 | 08/05/2009 |
| 12,659 | 5.4162 | 08/06/2009 |
| 2,502  | 5.4320 | 08/11/2009 |
| 2,093  | 5.3817 | 08/13/2009 |
| 3,640  | 5.2523 | 08/17/2009 |
| 136    | 5.0800 | 08/26/2009 |
| 22,295 | 4.8500 | 09/01/2009 |

## RAGING CAPITAL MANAGEMENT, LLC

None

WILLIAM C. MARTIN

None