

BITSTREAM INC  
Form SC 13D/A  
March 01, 2010

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)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)

February 26, 2010  
(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 (a) x  
GROUP (b) o

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 -
OWNED BY	8	SHARED VOTING POWER
EACH		
REPORTING		456,302
PERSON WITH	9	SOLE DISPOSITIVE POWER
	10	- 0 -
		SHARED DISPOSITIVE POWER
		456,302

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

456,302

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

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

4.6%

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
	8	- 0 - SHARED VOTING POWER
	9	382,110 SOLE DISPOSITIVE POWER
	10	- 0 - SHARED DISPOSITIVE POWER
		382,110

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

382,110

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

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

3.9%

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
		838,412
	9	SOLE DISPOSITIVE POWER
		- 0 -
	10	SHARED DISPOSITIVE POWER
		838,412

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

838,412

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

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

8.5%

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 (a) x  
GROUP (b) o

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	7	SOLE VOTING POWER
SHARES		
BENEFICIALLY		- 0 -
OWNED BY	8	SHARED VOTING POWER
EACH		
REPORTING		838,412
PERSON WITH	9	SOLE DISPOSITIVE POWER
	10	- 0 -
		SHARED DISPOSITIVE POWER
		838,412

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

838,412

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

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

8.5%

14 TYPE OF REPORTING PERSON

IN

CUSIP NO. 091736108

1 NAME OF REPORTING PERSON

Raul K. Martynek

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A (a) x  
GROUP (b) o

3 SEC USE ONLY

4 SOURCE OF FUNDS

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
		- 0 -1
	9	SOLE DISPOSITIVE POWER
		- 0 -
	10	SHARED DISPOSITIVE POWER
		- 0 -1

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

- 0 -1

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

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

0%

14 TYPE OF REPORTING PERSON

IN

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1 See Item 5.

CUSIP NO. 091736108

1 NAME OF REPORTING PERSON

Kenneth H. Traub

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A (a) x  
GROUP (b) o

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

USA

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER
	8	2,000 SHARED VOTING POWER
	9	- 0 -1 SOLE DISPOSITIVE POWER
	10	2,000 SHARED DISPOSITIVE POWER
		- 0 -1

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

2,0001

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

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

Less than 1%

14 TYPE OF REPORTING PERSON

IN

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1 See Item 5.

CUSIP NO. 091736108

1 NAME OF REPORTING PERSON

James A. Waskovich

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A (a) x  
GROUP (b) o

3 SEC USE ONLY

4 SOURCE OF FUNDS

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	7	SOLE VOTING POWER
SHARES		
BENEFICIALLY		- 0 -
OWNED BY	8	SHARED VOTING POWER
EACH		
REPORTING		- 0 -1
PERSON WITH	9	SOLE DISPOSITIVE POWER
	10	- 0 -
		SHARED DISPOSITIVE POWER
		- 0 -1

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

- 0 -1

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

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

0%

14 TYPE OF REPORTING PERSON

IN

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1 See Item 5.

8

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CUSIP NO. 091736108

The following constitutes Amendment No. 1 to the Schedule 13D filed by the undersigned (“Amendment No. 1”). This Amendment No. 1 amends the Schedule 13D as specifically set forth.

Item 2. Identity and Background.

Item 2 is hereby amended and restated to read as follows:

(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;
- (iv) William C. Martin (“Mr. Martin”), who serves as the managing member of Raging Capital;
- (v) Raul K. Martynek (“Mr. Martynek”), a nominee for election to the Board of Directors of the Issuer;
- (vi) Kenneth H. Traub (“Mr. Traub”), a nominee for election to the Board of Directors of the Issuer; and
- (vii) James A. Waskovich (“Mr. Waskovich”), a nominee for election to the Board of Directors of the Issuer.

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 and Solicitation 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 Raging Capital Fund, Raging Capital Fund QP, Raging Capital and Mr. Martin is 254 Witherspoon Street, Princeton, New Jersey 08542. The principal business address of Mr. Martynek is P.O. Box 173, Gardiner, New York 12525. The principal business address of Mr. Traub is c/o Ethos Management, One Penn Plaza, 5th Floor, 250 West 34th Street, New York, New York 10119. The principal business address of Mr. Waskovich is c/o Princeton Ventures Management LLC, 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. The principal occupation of Mr. Martynek is serving as a director of Broadview Networks Holdings, Inc., a network-based business communications provider. The principal occupation of Mr. Traub is serving as President and Chief Executive Officer of Ethos Management, a private investment and consulting firm. The principal occupation of Mr. Waskovich is serving as the Managing Partner of Princeton Ventures Management LLC, a private equity firm that leads equity investments in growth companies.

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(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. Messrs. Martin, Martynek, Traub and Waskovich are citizens of the United States of America.

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

Item 3 is hereby amended and restated to read as follows:

The aggregate purchase price of the 838,412 Shares owned directly by the Raging Funds is approximately \$4,791,811, 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.

The aggregate purchase price of the 2,000 Shares owned directly by Mr. Traub is approximately \$11,065, including brokerage commissions. The Shares owned directly by Mr. Traub were acquired with personal funds.

Item 4. Purpose of Transaction.

Item 4 is hereby amended to add the following:

On February 26, 2010, Raging Capital Fund delivered a letter to the Issuer nominating Messrs. Martynek, Traub and Waskovich (the "Nominees"), as set forth therein (the "Nomination Letter"), for election to the Issuer's Board of Directors (the "Board") at the Issuer's 2010 annual meeting of stockholders, or any other meeting of stockholders held in lieu thereof, and any adjournments, postponements, reschedulings or continuations thereof (the "2010 Annual Meeting"). Simultaneously with the submission of the Nomination Letter, Raging Capital also delivered a letter to the CEO of the Issuer questioning whether the Nominees, who were initially recommended by Raging Capital as potential candidates to the Nominating and Corporate Governance Committee, were seriously considered by the Issuer. In the letter, Raging Capital also stated that its nomination of the Nominees was necessary given the approaching deadline for shareholders to nominate directors and that it was its hope that an amicable resolution to this matter involving a meaningful reconstitution of the Board can be reached.

Item 5. Interest in Securities of the Issuer.

Item 5 is hereby amended and restated to read as follows:

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(a) The aggregate percentage of Shares reported owned by each person named herein is based upon 9,919,172 Shares outstanding as of November 11, 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 November 16, 2009.

As of the close of business on February 25, 2010, Raging Capital Fund directly owned 456,302 Shares, constituting approximately 4.6% 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 February 25, 2010, Raging Capital Fund QP directly owned 382,110 Shares, constituting approximately 3.9% 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.

As of the close of business on February 25, 2010, Mr. Traub directly owned 2,000 Shares, constituting less than one percent of the Shares outstanding. As of the close of business on February 25, 2010, Messrs. Martynek and Waskovich did not own any Shares.

Each of the Reporting Persons, as a member of a "group" with the other Reporting Persons for the purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), may be deemed to beneficially own the Shares owned by the other Reporting Persons. The filing of this Schedule 13D shall not be deemed an admission that the Reporting Persons are, for purposes of Section 13(d) of the Exchange Act, the beneficial owners of any Shares he or it does not directly own. Each of the Reporting Persons specifically disclaims beneficial ownership of the Shares reported herein that he or it does not directly own.

(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. Mr. Traub has the sole power to vote and dispose of the Shares he directly owns.

(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.

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

Item 6 is hereby amended to add the following:

On March 1, 2010, the Reporting Persons entered into a Joint Filing and Solicitation Agreement in which, among other things, (a) the parties agreed to the joint filing on behalf of each of them of statements on Schedule 13D with respect to the securities of the Issuer; (b) the parties agreed to solicit proxies or written consents for the election of Messrs. Martynek, Traub and Waskovich, or any other person(s) nominated by Raging Capital Fund, to the Issuer's Board of Directors at the 2010 Annual Meeting (the "Solicitation"); and (c) Raging Capital agreed to bear all expenses incurred in connection with the Reporting Persons' activities, including approved expenses incurred by any of the parties in connection with the Solicitation, subject to certain limitations. A copy of the Joint Filing and Solicitation Agreement is attached hereto as Exhibit 99.1 and is incorporated herein by reference.



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Pursuant to indemnification letter agreements, Raging Capital has agreed to indemnify Messrs. Martynek, Traub and Waskovich against claims arising from the solicitation of proxies from the Issuer's stockholders in connection with the 2010 Annual Meeting. The form of the indemnification letter agreements is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

Pursuant to compensation letter agreements (the "Compensation Letter Agreements"), Raging Capital has agreed to compensate Messrs. Martynek, Traub and Waskovich for serving as nominees for election as directors of the Issuer. Pursuant to the terms of the Compensation Letter Agreements, Raging Capital has agreed to pay each of Messrs. Martynek, Traub and Waskovich \$10,000 in cash upon the submission of the Nomination Letter. Pursuant to the Compensation Letter Agreements, each of Messrs. Martynek, Traub and Waskovich has agreed to use such compensation to acquire securities of the Issuer (the "Nominee Shares") at such time that he shall determine, but in any event no later than fourteen (14) days after receipt of such compensation. If elected or appointed to serve as a director of the Board, each of Messrs. Martynek, Traub and Waskovich has agreed not to sell, transfer or otherwise dispose of any Nominee Shares within two (2) years of his election or appointment as a director; provided, however, in the event that the Issuer enters into a business combination with a third party, each of Messrs. Martynek, Traub and Waskovich may sell, transfer or exchange the Nominee Shares in accordance with the terms of such business combination. A form of the Compensation Letter Agreements is attached hereto as Exhibit 99.3 and is incorporated herein by reference.

Item 7. Material to be Filed as Exhibits.

Item 7 is hereby amended to add the following exhibits:

99.1 Joint Filing and Solicitation Agreement by and among Raging Capital Fund, LP, Raging Capital Fund (QP), LP, Raging Capital Management, LLC, William C. Martin, Raul K. Martynek, Kenneth H. Traub and James A. Waskovich, dated March 1, 2010.

99.2 Form of Indemnification Letter Agreement.

99.3 Form of Compensation Letter Agreement.

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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: March 1, 2010

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

/s/ Raul K. Martynek  
Raul K. Martynek

/s/ Kenneth H. Traub  
Kenneth H. Traub

/s/ James A. Waskovich  
James A. Waskovich



CUSIP NO. 091736108

## SCHEDULE A

## Transactions in the Shares During the Past 60 Days

Shares of Common Stock Purchased/(Sold)	Price Per Share(\$)	Date of Purchase/Sale
RAGING CAPITAL FUND, LP		
(855)	7.5200	12/28/2009
(361)	7.9702	01/08/2010
(1,212)	8.1107	01/12/2010
(330)	8.1540	01/19/2010
2,700	7.9300	01/27/2010
2,750	8.1300	01/28/2010
580	8.1491	01/29/2010
55	8.0700	02/03/2010
110	7.8500	02/11/2010

## RAGING CAPITAL FUND (QP), LP

(11,176)	7.5184	12/29/2009
(1,078)	7.5865	12/30/2009
(805)	7.5800	12/31/2009
(9,559)	7.6664	01/04/2010
(12,257)	7.8249	01/05/2010
(5,135)	7.9686	01/07/2010
(294)	7.9702	01/08/2010
(990)	8.1107	01/12/2010
(3,719)	8.0998	01/13/2010
Short Sale		
(1,220)	8.1400	01/15/2010
(270)	8.1540	01/19/2010
Covered Short		
600	8.0000	01/22/2010
2,250	8.1300	01/28/2010
Covered Short		
620	8.1491	01/29/2010
45	8.0700	02/03/2010
90	7.8500	02/11/2010

## RAGING CAPITAL MANAGEMENT, LLC

None

CUSIP NO. 091736108

WILLIAM C. MARTIN

None

RAUL K. MARTYNEK

None

KENNETH H. TRAUB

None

JAMES A. WASKOVICH

None