

O2MICRO INTERNATIONAL LTD
Form SC 13D
November 25, 2014

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

O2Micro International Ltd.

(Name of Issuer)

Ordinary Shares, par value \$0.00002 per share
(Title of Class of Securities)

67107W100

(CUSIP Number)

JEFFREY E. EBERWEIN
LONE STAR VALUE MANAGEMENT, LLC
53 Forest Avenue, 1st Floor
Old Greenwich, Connecticut 06870
(203) 489-9500

STEVE WOLOSKY
OLSHAN FROME 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)

November 20, 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 §§ 240.13d-1(e), 240.13d-1(f) or 240.13d-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 § 240.13d-7 for other parties to whom copies are to be sent.

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.

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. 67107W100

1 NAME OF REPORTING PERSON

LONE STAR VALUE INVESTORS, 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 |
| | | 77,585,000 |
| | 8 | SHARED VOTING POWER |
| | | - 0 - |
| | 9 | SOLE DISPOSITIVE POWER |
| | | 77,585,000 |
| | 10 | SHARED DISPOSITIVE POWER |

- 0 -

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

77,585,000

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

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

5.6%

14 TYPE OF REPORTING PERSON

PN

CUSIP NO. 67107W100

1 NAME OF REPORTING PERSON

LONE STAR VALUE INVESTORS GP, 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

| | | |
|---|----|--------------------------|
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5.6%

14 TYPE OF REPORTING PERSON

OO

CUSIP NO. 67107W100

1 NAME OF REPORTING PERSON

LONE STAR VALUE 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

CONNECTICUT

| | | |
|---|----|--------------------------|
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5.6%

14 TYPE OF REPORTING PERSON

OO

CUSIP NO. 67107W100

1 NAME OF REPORTING PERSON

JEFFREY E. EBERWEIN

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 |
| | | 77,585,000 |
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13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

5.6%

14 TYPE OF REPORTING PERSON

IN

CUSIP NO. 67107W100

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

Item 1. Security and Issuer.

This statement relates to the ordinary shares, par value \$0.00002 per share (the "Shares"), of O2Micro International Limited (the "Issuer"). The address of the principal executive offices of the Issuer is Grand Pavilion Commercial Centre, West Bay Road P.O. Box 32331 Grand Cayman KY-1209, Cayman Islands.

Item 2. Identity and Background.

(a) This statement is filed by:

- (i) Lone Star Value Investors, LP, a Delaware limited partnership ("Lone Star Value Investors");
- (ii) Lone Star Value Investors GP, LLC, a Delaware limited liability company ("Lone Star Value GP"), which serves as the general partner of Lone Star Value Investors;
- (iii) Lone Star Value Management, LLC, a Connecticut limited liability company ("Lone Star Value Management"), which serves as the investment manager of Lone Star Value Investors; and
- (iv) Jeffrey E. Eberwein, who serves as the manager of Lone Star Value GP and sole member of Lone Star Value Management.

Each of the foregoing is referred to as a "Reporting Person" and collectively as the "Reporting Persons" or "Lone Star Value." 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 53 Forest Avenue, 1st Floor, Old Greenwich, Connecticut 06870.

(c) The principal business of Lone Star Value Investors is investing in securities. The principal business of Lone Star Value GP is serving as the general partner of Lone Star Value Investors. The principal business of Lone Star Value Management is serving as the investment manager of Lone Star Value Investors. The principal occupation of Mr. Eberwein is serving as the manager of Lone Star Value GP and the sole member of Lone Star Value Management.

(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) Mr. Eberwein is a citizen of the United States of America.

CUSIP NO. 67107W100

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

The Shares purchased by Lone Star Value Investors were purchased with working capital (which may, at any given time, include margin loans made by brokerage firms in the ordinary course of business) in open market purchases, except as otherwise noted, as set forth in Schedule A, which is incorporated by reference herein. The aggregate purchase price of the 77,585,000 Shares beneficially owned by Lone Star Value Investors is approximately \$4,025,322, excluding brokerage commissions.

Item 4. Purpose of Transaction.

The Reporting Persons purchased the Shares based on the belief that the Shares, when purchased, were undervalued and represented an attractive investment opportunity. Depending upon overall market conditions, other investment opportunities available to Lone Star Value, and the availability of Shares at prices that would make the purchase or sale of Shares desirable, Lone Star Value may endeavor to increase or decrease its 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 Lone Star Value may deem advisable.

Lone Star Value believes the Issuer's Shares are meaningfully undervalued versus the Issuer's peers and its net asset value per Share. Lone Star Value notes that the Issuer's stock price has significantly underperformed its peers and the NASDAQ Composite Index over the short-, medium- and long-term and has recently reached levels past seen only during the 2008 financial crisis. In addition, the Issuer's stock price remains below the price of every equity issuance by the Issuer over the last fifteen years.

Lone Star Value sees significant value in the Issuer's patent portfolio and believes that its current trading levels – in which a negative enterprise value is being ascribed based on the current share price – reflect a lack of confidence in the current management and Board's direction for the Company. Lone Star Value believes the Issuer can be a profitable enterprise and wishes to engage with management and the Board in raising the value of Issuer's shares through discussions on improving the Issuer's operational focus as well as realizing the value of its intellectual property and long term investments, all of which Lone Star Value believes can meaningfully enhance shareholder value.

In Lone Star Value's view, the Issuer could unlock shareholder value by streamlining its operations, using its cash to repurchase shares or issuing a dividend, potentially liquidating certain or all of its equity stakes currently listed as long term investments, and licensing its intellectual property.

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 or in connection with completion of, or following, any of the actions discussed herein. Lone Star Value intends to review its investment in the Issuer on a continuing basis. 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, Lone Star Value may in the future take such actions with respect to their investment in the Issuer as they deem appropriate including, without limitation, continuing to engage in communications with management and the Board of the Issuer, engaging in discussions with stockholders of the Issuer and others about the Issuer and Lone Star Value's investment, making proposals to the Issuer concerning strategic alternatives available to the Issuer, changes to the capitalization, ownership structure, board structure (including board composition) 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.

CUSIP NO. 67107W100

Item 5. Interest in Securities of the Issuer.

The aggregate percentage of Shares reported owned by each person named herein is based upon 1,391,744,250 Shares outstanding as of December 31, 2013, which is the total number of Shares reported outstanding in the Issuer's Annual Report on Form 20-F, filed with the Securities and Exchange Commission on April 30, 2014.

A. Lone Star Value Investors

(a) As of the close of business on the date hereof, Lone Star Value Investors beneficially owned 77,585,000 Shares.

Percentage: Approximately 5.6%

- (b)
 - 1. Sole power to vote or direct vote: 77,585,000
 - 2. Shared power to vote or direct vote: 0
 - 3. Sole power to dispose or direct the disposition: 77,585,000
 - 4. Shared power to dispose or direct the disposition: 0

(c) The transactions in the Shares by Lone Star Value Investors during the past 60 days are set forth in Schedule A and are incorporated herein by reference.

B. Lone Star Value GP

(a) Lone Star Value GP, as the general partner of Lone Star Value Investors, may be deemed the beneficial owner of the 77,585,000 Shares owned by Lone Star Value Investors.

Percentage: Approximately 5.6%

- (b)
 - 1. Sole power to vote or direct vote: 77,585,000
 - 2. Shared power to vote or direct vote: 0
 - 3. Sole power to dispose or direct the disposition: 77,585,000
 - 4. Shared power to dispose or direct the disposition: 0

(c) Lone Star Value GP has not entered into any transactions in the Shares during the past 60 days. The transactions in the Shares on behalf of Lone Star Value Investors during the past 60 days are set forth in Schedule A and are incorporated herein by reference.

C. Lone Star Value Management

(a) Lone Star Value Management, as the investment manager of Lone Star Value Investors, may be deemed the beneficial owner of the 77,585,000 Shares owned by Lone Star Value Investors.

Percentage: Approximately 5.6%

- (b)
 - 1. Sole power to vote or direct vote: 77,585,000
 - 2. Shared power to vote or direct vote: 0
 - 3. Sole power to dispose or direct the disposition: 77,585,000
 - 4. Shared power to dispose or direct the disposition: 0

(c) Lone Star Value Management has not entered into any transactions in the Shares during the past 60 days. The transactions in the Shares on behalf of Lone Star Value Investors during the past 60 days are set forth in Schedule A and are incorporated herein by reference.

CUSIP NO. 67107W100

D. Mr. Eberwein

(a) Mr. Eberwein, as the manager of Lone Star Value GP and sole member of Lone Star Value Management, may be deemed the beneficial owner of the 77,585,000 Shares owned by Lone Star Value Investors.

Percentage: Approximately 5.6%

- (b)
1. Sole power to vote or direct vote: 77,585,000
 2. Shared power to vote or direct vote: 0
 3. Sole power to dispose or direct the disposition: 77,585,000
 4. Shared power to dispose or direct the disposition: 0

(c) Mr. Eberwein has not entered into any transactions in the Shares during the past 60 days. The transactions in the Shares on behalf of Lone Star Value Investors during the past 60 days are set forth in Schedule A and are incorporated herein by reference.

The Reporting Persons, as members of a "group" for the purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, may be deemed the beneficial owner of the Shares directly owned by the other Reporting Persons. Each Reporting Person disclaims beneficial ownership of such Shares except to the extent of his or its pecuniary interest therein.

(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.

On November 24, 2014, 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 exhibit 99.1 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 Lone Star Value Investors, LP, Lone Star Value Investors GP, LLC, Lone Star Value Management, LLC and Jeffrey E. Eberwein, dated November 24, 2014.

CUSIP NO. 67107W100

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: November 24, 2014

Lone Star Value Investors, LP

By: Lone Star Value Investors GP, LLC
General Partner

By: /s/ Jeffrey E. Eberwein
Name: Jeffrey E. Eberwein
Title: Manager

Lone Star Value Investors GP, LLC

By: /s/ Jeffrey E. Eberwein
Name: Jeffrey E. Eberwein
Title: Manager

Lone Star Value Management, LLC

By: /s/ Jeffrey E. Eberwein
Name: Jeffrey E. Eberwein
Title: Sole Member

/s/ Jeffrey E. Eberwein
Jeffrey E. Eberwein

CUSIP NO. 67107W100

SCHEDULE A

Transactions in the Securities of the Issuer During the Past Sixty Days

| Ordinary Shares* Purchased/(Sold) | Price (\$) Per Share* | Date of Purchase / Sale |
|--------------------------------------|-----------------------|----------------------------|
| 100,000 | 2.6913 | 09/26/2014 |
| 50,000 | 2.6998 | 09/26/2014 |
| 100,000 | 2.6998 | 09/29/2014 |
| 200,000 | 2.7000 | 09/29/2014 |
| 26,807 | 2.7000 | 09/30/2014 |
| 12,700 | 2.6790 | 10/01/2014 |
| 10,493 | 2.6972 | 10/02/2014 |
| 5,400 | 2.6754 | 10/06/2014 |
| 8,700 | 2.6900 | 10/07/2014 |
| 10,900 | 2.4638 | 10/08/2014 |
| 3,300 | 2.2600 | 10/09/2014 |
| 21,700 | 2.1632 | 10/10/2014 |
| 25,000 | 1.9651 | 10/15/2014 |
| 25,000 | 1.9562 | 10/16/2014 |
| 10,000 | 1.9323 | 11/12/2014 |
| 15,000 | 1.9677 | 11/13/2014 |
| 10,000 | 1.9657 | 11/13/2014 |
| 15,000 | 1.9438 | 11/14/2014 |
| 10,000 | 1.9800 | 11/17/2014 |
| 15,000 | 1.9982 | 11/17/2014 |
| 10,000 | 1.9903 | 11/17/2014 |
| 50,400 | 1.9974 | 11/17/2014 |
| 37,000 | 1.9975 | 11/18/2014 |
| 77,600 | 1.9875 | 11/19/2014 |
| 50,000 | 2.0000 | 11/20/2014 |
| 50,000 | 1.9900 | 11/20/2014 |
| 50,000 | 1.9900 | 11/21/2014 |
| 50,000 | 2.0000 | 11/21/2014 |
| 1,700 | 1.9994 | 11/24/2014 |

* American Depositary Share each representing 50 ordinary shares, par value \$0.00002 per share, of the Issuer.