

ROSETTA STONE INC
Form 4
April 23, 2009

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
CLOUGH PHILLIP A

(Last) (First) (Middle)
400 E. PRATT STREET, SUITE 910
(Street)

BALTIMORE, MD 21202

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
ROSETTA STONE INC [RST]

3. Date of Earliest Transaction
(Month/Day/Year)
04/21/2009

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director 10% Owner
 Officer (give title below) Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) | | | |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|---|-----------|---|--------------------------------|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Common Stock | 04/21/2009 | | C | | 6,800,508 | A | \$ 0 | 7,556,120 | I | By limited partnership (1) |
| Common Stock | 04/21/2009 | | S | | 2,456,502 | D | \$ 16.74 | 5,099,618 | I | By limited partnership (2) (3) |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|
| | | | | Code | V (A) (D) | Date Exercisable Expiration Date | Title Amount or Number of Shares |
| Series A-1 Preferred | (4) | 04/21/2009 | | C | 261,558 | (4) (4) | Common Stock 6,800,508 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---------------|-----------|---------|-------|
| | Director | 10% Owner | Officer | Other |
| CLOUGH PHILLIP A 400 E. PRATT STREET SUITE 910 BALTIMORE, MD 21202 | X | X | | |

Signatures

Michael Wu, by power of attorney
04/22/2009

__Signature of Reporting Person Date

Explanation of Responses:

* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Shares of common stock upon conversion of preferred stock include (i) 6,017,752 shares by ABS Capital Partners IV, LP, (ii) 201,474 shares by ABS Capital Partners IV-A, LP, (iii) 345,618 shares by ABS Capital Partners Offshore, LP, and (iv) 235,664 shares by ABS Capital Partners Special Offshore, LP. ABS Partners IV, LLC is the general partner of each such entity and has voting and dispositive power over these shares. Mr. Clough is a managing member of ABS Partners IV, LLC and may be deemed to share voting or dispositive power over such shares. Mr. Clough disclaims beneficial ownership of such shares, except to the extent of any pecuniary interest therein.

(2) Shares sold include (i) 2,173,753 shares of common stock owned by ABS Capital Partners IV, L.P., (ii) 72,777 shares of common stock owned by ABS Capital Partners IV-A, LP., (iii) 124,845 shares of common stock owned by ABS Capital Partners IV Offshore, L.P., and (iv) 85,127 shares of common stock owned by ABS Capital Partners IV Special Offshore, L.P. ABS Partners IV, LLC is the general partner of each such entity and has voting and dispositive power over these shares. Mr. Clough is a managing member of ABS Partners IV, LLC and may be deemed to share voting or dispositive power over such shares. Mr. Clough disclaims beneficial ownership of such shares, except to the extent of any pecuniary interest therein.

(3) Shares of common stock held after sale include (i) 4,512,641 shares by ABS Capital Partners IV, LP, (ii) 151,083 shares by ABS Capital Partners IV-A, LP, (iii) 259,175 shares by ABS Capital Partners Offshore, LP and (iv) 176,719 shares by ABS Capital Partners Special Offshore, LP. ABS Partners IV, LLC is the general partner of each such entity and has voting and dispositive power over these shares. Mr. Clough is a managing member of ABS Partners IV, LLC and may be deemed to share voting or dispositive power over such shares. Mr. Clough disclaims beneficial ownership of such shares, except to the extent of any pecuniary interest therein.

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- (4) The Series A-1 Preferred Stock automatically converted into common stock upon the closing of the initial public offering of the issuer for no additional consideration.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.