Franklin Laurence Form 4 August 30, 2010

## FORM 4

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF

Check this box if no longer

subject to Section 16. Form 4 or

Form 5 obligations may continue. See Instruction

**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(b).

(Last)

(City)

1. Title of

Security

(Instr. 3)

1. Name and Address of Reporting Person \* Franklin Laurence

> (First) (Middle)

C/O ROSETTA STONE, 1919

NORTH LYNN STREET, 7TH **FLOOR** 

(Street)

(State)

ARLINGTON, VA 22209

(Zip)

2. Issuer Name and Ticker or Trading

Symbol

ROSETTA STONE INC [RST]

3. Date of Earliest Transaction

(Month/Day/Year) 08/26/2010

4. If Amendment, Date Original

Filed(Month/Day/Year)

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

2. Transaction Date 2A. Deemed 3. 4. Securities (Month/Day/Year) Execution Date, if TransactionAcquired (A) or Code

(Month/Day/Year) (Instr. 8)

Disposed of (D)

(Instr. 3, 4 and 5)

(A)

or (Instr. 3 and 4) Code V Amount (D) Price

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

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

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

1. Title of Derivative

Conversion

3. Transaction Date 3A. Deemed

(Month/Day/Year) Execution Date, if Transaction of Derivative Expiration Date

5. Number

6. Date Exercisable and

7. Title and Amount of **Underlying Securities** 

1

**OMB APPROVAL** 

**OMB** 3235-0287 Number:

January 31, Expires: 2005 Estimated average

burden hours per

5. Relationship of Reporting Person(s) to

6. Individual or Joint/Group Filing(Check

6. Ownership

Form: Direct

\_X\_ Form filed by One Reporting Person Form filed by More than One Reporting

(I)

(Instr. 4)

(Check all applicable)

Issuer

below)

X\_ Director

Applicable Line)

5. Amount of

Securities

Following

Reported

Transaction(s)

Owned

Beneficially

Officer (give title

response...

0.5

10% Owner

Other (specify

7. Nature of

Ownership (Instr. 4)

Indirect

SEC 1474

(9-02)

(D) or Indirect Beneficial

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Security (Instr. 3)	or Exercise Price of Derivative Security		any (Month/Day/Year)	Code (Instr. 8)	Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	(Month/Day	onth/Day/Year)		(Instr. 3 and 4)	
				Code V	(A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Stock Option	\$ 17.36	08/26/2010		A	2,979	<u>(1)</u>	08/26/2020	Common Stock	2,979	
Stock Option	\$ 3.85					(2)	05/22/2016	Common Stock	19,500	
Stock Option	\$ 6.08					(3)	03/21/2017	Common Stock	6,500 (3)	
Stock Option	\$ 18					<u>(4)</u>	04/15/2019	Common Stock	2,658 (4)	
Stock Option	\$ 20.35					<u>(5)</u>	08/19/2019	Common Stock	329 (5)	
Restricted Stock Unit	\$ 0	08/26/2010		A	1,728	<u>(6)</u>	<u>(6)</u>	Common Stock	1,728	

# **Reporting Owners**

Reporting Owner Name / Address	Relationships				
	Director	10% Owner	Officer	Other	
Franklin Laurence C/O ROSETTA STONE 1919 NORTH LYNN STREET, 7TH FLOOR ARLINGTON, VA 22209	X				

# **Signatures**

Michael C. Wu,
Attorney-in-fact 08/30/2010

\*\*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) Options shall vest at 1/4 per quarter.
- (2) Includes an aggregate of 19,500 fully vested shares. Options shall vest and be exercisable after the date of grant and 1/16 of the shares subject to the option shall become vested each quarter thereafter.
- (3) Includes an aggregate of 5,281 fully vested shares. Options shall vest and be exercisable after the date of grant and 1/16 of the shares subject to the option shall become vested each quarter thereafter.

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- (4) Includes an aggregate of 2,658 fully vested shares. Options shall vest at 1/4 per quarter.
- (5) Includes an aggregate of 329 fully vested shares. Options shall vest at 1/4 per quarter.
- (6) Restricted stock units are fully vested upon award. Delivery of shares to the reporting person will be made after the date of the reporting person's separation from service to the Board of Directors.

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.