

ROSETTA STONE INC
Form SC 13G
February 12, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13G
(Rule 13d-102)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO RULES 13d-1(b)(c), AND (d) AND AMENDMENTS THERETO FILED
PURSUANT TO RULE 13d-2(b).

(Amendment No.)*

Rosetta Stone, Inc.

(Name of issuer)

Common Stock, \$.00005 par value per share

(Title of class of securities)

777780107

(CUSIP number)

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December 31, 2009

(Date of event which requires filing of this statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

Rule 13d-1(c)

Rule 13d-1(d)

* 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).

(1) Names of reporting persons.

ABS Capital Partners IV, L.P.

(2) Check the appropriate box if a member of a group (see instructions)

(a) " (b) "

(3) SEC use only

(4) Citizenship or place of organization

Delaware, USA

(5) Sole voting power

Number of

shares (6) N/A
Shared voting power

beneficially

owned by (7) 4,512,641
each Sole dispositive power

reporting

person (8) N/A
Shared dispositive power

with:

4,512,641

(9) Aggregate amount beneficially owned by each reporting person

4,512,641

(10) Check if the aggregate amount in Row (9) excludes certain shares (see instructions)

(11) Percent of class represented by amount in Row (9)

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22.2% (Based on 20,363,616 shares outstanding as filed on November 13, 2009 in the Issuer's 10-Q for the period ended September 30, 2009 (File No. 001-34283))

(12) Type of reporting person (see instructions)

PN (Limited Partnership)

***SEE INSTRUCTIONS BEFORE FILLING OUT!**

(1) Names of reporting persons.

ABS Capital Partners IV-A, L.P.

(2) Check the appropriate box if a member of a group (see instructions)

(a) " (b) "

(3) SEC use only

(4) Citizenship or place of organization

Delaware, USA

(5) Sole voting power

Number of

shares (6) N/A
Shared voting power

beneficially

owned by (7) 151,083
each Sole dispositive power

reporting

person (8) N/A
Shared dispositive power

with:

151,083

(9) Aggregate amount beneficially owned by each reporting person

151,083

(10) Check if the aggregate amount in Row (9) excludes certain shares (see instructions)

(11) Percent of class represented by amount in Row (9)

0.7% (Based on 20,363,616 shares outstanding as filed on November 13, 2009 in the Issuer's 10-Q for the period ended September 30, 2009 (File No. 001-34283))

(12) Type of reporting person (see instructions)

PN (Limited Partnership)

(1) Names of reporting persons.

ABS Capital Partners IV-Offshore, L.P.

(2) Check the appropriate box if a member of a group (see instructions)

(a) " (b) "

(3) SEC use only

(4) Citizenship or place of organization

Cayman Islands

(5) Sole voting power

Number of

shares (6) N/A
Shared voting power

beneficially

owned by (7) 259,175
each Sole dispositive power

reporting

person (8) N/A
Shared dispositive power

with:

259,175

(9) Aggregate amount beneficially owned by each reporting person

259,175

(10) Check if the aggregate amount in Row (9) excludes certain shares (see instructions)

(11) Percent of class represented by amount in Row (9)

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1.3% (Based on 20,363,616 shares outstanding as filed on November 13, 2009 in the Issuer's 10-Q for the period ended September 30, 2009 (File No. 001-34283))

(12) Type of reporting person (see instructions)

PN (Limited Partnership)

(1) Names of reporting persons.

ABS Capital Partners IV-Special Offshore, L.P.

(2) Check the appropriate box if a member of a group (see instructions)

(a) " (b) "

(3) SEC use only

(4) Citizenship or place of organization

Cayman Islands

(5) Sole voting power

Number of

shares (6) N/A
Shared voting power

beneficially

owned by (7) 176,719
each Sole dispositive power

reporting

person (8) N/A
Shared dispositive power

with:

176,719

(9) Aggregate amount beneficially owned by each reporting person

176,719

(10) Check if the aggregate amount in Row (9) excludes certain shares (see instructions)

(11) Percent of class represented by amount in Row (9)

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0.9% (Based on 20,363,616 shares outstanding as filed on November 13, 2009 in the Issuer's 10-Q for the period ended September 30, 2009 (File No. 001-34283))

(12) Type of reporting person (see instructions)

PN (Limited Partnership)

(1) Names of reporting persons.

ABS Partners IV, L.L.C.

(2) Check the appropriate box if a member of a group (see instructions)

(a) " (b) "

(3) SEC use only

(4) Citizenship or place of organization

Delaware, USA

(5) Sole voting power

Number of

shares (6) N/A
Shared voting power

beneficially

owned by (7) 5,099,618
each Sole dispositive power

reporting

person (8) N/A
Shared dispositive power

with:

5,099,618

(9) Aggregate amount beneficially owned by each reporting person

5,099,618

(10) Check if the aggregate amount in Row (9) excludes certain shares (see instructions)

(11) Percent of class represented by amount in Row (9)

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25.0% (Based on 20,363,616 shares outstanding as filed on November 13, 2009 in the Issuer's 10-Q for the period ended September 30, 2009 (File No. 001-34283))

(12) Type of reporting person (see instructions)

CO (Limited Liability Company)

(1) Names of reporting persons.

Phillip A. Clough

(2) Check the appropriate box if a member of a group (see instructions)

(a) " (b) "

(3) SEC use only

(4) Citizenship or place of organization

UNITED STATES OF AMERICA

(5) Sole voting power

Number of

shares (6) **N/A**
Shared voting power

beneficially

owned by (7) **5,099,618**
each Sole dispositive power

reporting

person (8) **N/A**
Shared dispositive power

with:

5,099,618

(9) Aggregate amount beneficially owned by each reporting person

5,099,618

(10) Check if the aggregate amount in Row (9) excludes certain shares (see instructions)

(11) Percent of class represented by amount in Row (9)

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25.0% (Based on 20,363,616 shares outstanding as filed on November 13, 2009 in the Issuer's 10-Q for the period ended September 30, 2009 (File No. 001-34283))

(12) Type of reporting person (see instructions)

IN (Individual)

(1) Names of reporting persons.

Laura L. Witt

(2) Check the appropriate box if a member of a group (see instructions)

(a) " (b) "

(3) SEC use only

(4) Citizenship or place of organization

UNITED STATES OF AMERICA

(5) Sole voting power

Number of

shares (6) N/A
Shared voting power

beneficially

owned by (7) 5,099,618
each Sole dispositive power

reporting

person (8) N/A
Shared dispositive power

with:

5,099,618

(9) Aggregate amount beneficially owned by each reporting person

5,099,618

(10) Check if the aggregate amount in Row (9) excludes certain shares (see instructions)

(11) Percent of class represented by amount in Row (9)

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25.0% (Based on 20,363,616 shares outstanding as filed on November 13, 2009 in the Issuer's 10-Q for the period ended September 30, 2009 (File No. 001-34283))

(12) Type of reporting person (see instructions)

IN (Individual)

Item 1(a) Name of Issuer:

The name of the issuer is Rosetta Stone, Inc., a Delaware corporation (the Issuer).

Item 1(b) Address of Issuer's Principal Executive Offices:

The principal executive office and mailing address of the Issuer is 1919 North Lynn St. 7th Fl Arlington, Virginia 22209

Item 2(a) Name of Person Filing:

This Schedule is being filed by ABS Capital Partners IV, L.P., ABS Capital Partners IV-A, L.P., ABS Capital Partners IV-Offshore, L.P. and ABS Capital Partners IV-Special Offshore, L.P. (collectively referred to as the Funds); ABS Partners IV L.L.C., as the general partner of the Funds (the General Partner); and Phillip A. Clough and Laura L. Witt (the Managers , and, collectively with the Funds and the General Partner, the Reporting Persons).

The Reporting Persons have entered into a Joint Filing Agreement filed with the Securities and Exchange Commission as an exhibit to this Statement on Schedule 13G that authorizes each other Reporting Person to file on its behalf any and all amendments to such Statement on Schedule 13G.

Item 2(b) Address of Principal Business Office:

The principal business address of the Reporting Persons is c/o ABS Capital Partners, 400 East Pratt Street, Suite 910, Baltimore, Maryland 21202.

Item 2(c) Citizenship:

ABS Capital Partners IV, L.P. and ABS Capital Partners IV-A, L.P. are organized in Delaware. ABS Capital Partners IV-Offshore, L.P. and ABS Capital Partners IV-Special Offshore, L.P. are organized in the Cayman Islands. The General Partner is organized in Delaware. The Managers are citizens of the United States.

Item 2(d) Title of Class of Securities:

This Schedule 13G relates to the Common Stock, par value \$0.00005 per share (the Common Stock).

Item 2(e) CUSIP Number:

The CUSIP Number of the Common Stock is 777780107.

Item 3 If This Statement is Filed Pursuant to §§240.13d-1(b) or 240.13d-2(b) or (c), Check Whether the Person Filing is a:

N/A

Item 4 Ownership.

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The General Partner and the Managers disclaim beneficial ownership of the shares owned by the Funds except to the extent of their pecuniary interests.

(a) Amount beneficially owned:

ABS Capital Partners IV, L.P.: 4,512,641

ABS Capital Partners IV-A, L.P.: 151,083

ABS Capital Partners IV-Offshore, L.P.: 259,175

ABS Capital Partners IV-Special Offshore, L.P.: 176,719

CUSIP No. 777780107

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The General Partner and the Manager: 5,099,618

- (b) Percent of class (Based on 20,363,616 shares outstanding as filed on November 13, 2009 in the Issuer's 10-Q for the period ended September 30, 2009 (File No. 001-34283)):

ABS Capital Partners IV, L.P.: 22.2%

ABS Capital Partners IV-A, L.P.: 0.7%

ABS Capital Partners IV-Offshore, L.P.: 1.3%

ABS Capital Partners IV-Special Offshore, L.P.: 0.9%

The General Partner and the Manager: 25.0%

- (c) Number of shares as to which the person has:

- (i) Sole power to vote or to direct the vote: 0

- (ii) Shared power to vote or to direct the vote:

ABS Capital Partners IV, L.P.: 4,512,641

ABS Capital Partners IV-A, L.P.: 151,083

ABS Capital Partners IV-Offshore, L.P.: 259,175

ABS Capital Partners IV-Special Offshore, L.P.: 176,719

The General Partner and the Manager: 5,099,618

- (iii) Sole power to dispose or to direct the disposition of: 0

- (iv) Shared power to dispose or to direct the disposition of:

ABS Capital Partners IV, L.P.: 4,512,641

ABS Capital Partners IV-A, L.P.: 151,083

ABS Capital Partners IV-Offshore, L.P.: 259,175

ABS Capital Partners IV-Special Offshore, L.P.: 176,719

The General Partner and the Manager: 5,099,618

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Item 5 Ownership of Five Percent or Less of a Class.

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following [].

Item 6 Ownership of More than Five Percent on Behalf of Another Person.

N/A

Item 7 Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company or Control Person.

N/A

Item 8 Identification and Classification of Members of the Group.

Item 9 Notice of Dissolution of Group.

N/A

Item 10 Certifications.

N/A

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: February 12, 2010

ABS Capital Partners IV, L.P.

By: /s/ James E. Stevenson, Jr.
Name: James E. Stevenson, Jr.
Title: Attorney-in-fact

ABS Capital Partners IV-A, L.P.

By: /s/ James E. Stevenson, Jr.
Name: James E. Stevenson, Jr.
Title: Attorney-in-fact

ABS Capital Partners IV-Offshore, L.P.

By: /s/ James E. Stevenson, Jr.
Name: James E. Stevenson, Jr.
Title: Attorney-in-fact

ABS Capital Partners IV-Special Offshore,
L.P.

By: /s/ James E. Stevenson, Jr.
Name: James E. Stevenson, Jr.
Title: Attorney-in-fact

ABS Partners IV, L.L.C.

By: /s/ James E. Stevenson, Jr.
Name: James E. Stevenson, Jr.
Title: Attorney-in-fact

Phillip A. Clough

By: /s/ James E. Stevenson, Jr.
Name: James E. Stevenson, Jr.
Title: Attorney-in-fact

Laura L. Witt

By: /s/ James E. Stevenson, Jr.
Name: James E. Stevenson, Jr.
Title: Attorney-in-fact