

Swad Stephen M  
 Form 3  
 November 15, 2010

**FORM 3 UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

OMB APPROVAL

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**INITIAL STATEMENT OF 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 *		2. Date of Event Requiring Statement	3. Issuer Name <b>and</b> Ticker or Trading Symbol	
Swad Stephen M		(Month/Day/Year)	ROSETTA STONE INC [RST]	
(Last)	(First)	(Middle)	4. Relationship of Reporting Person(s) to Issuer	5. If Amendment, Date Original Filed(Month/Day/Year)
1919 NORTH LYNN STREET, 7TH FLOOR			(Check all applicable)	
(Street)			___ Director	___ 10% Owner
ARLINGTON, VA 22209			<input checked="" type="checkbox"/> Officer	___ Other
(City)	(State)	(Zip)	(give title below)	(specify below)
			Chief Financial Officer	
			6. Individual or Joint/Group Filing(Check Applicable Line)	
			<input checked="" type="checkbox"/> Form filed by One Reporting Person	
			___ Form filed by More than One Reporting Person	

**Table I - Non-Derivative Securities Beneficially Owned**

1. Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
Common Stock	100,000 <sup>(1)</sup>	D	

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

SEC 1473 (7-02)

**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 Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)	3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)	4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
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## Edgar Filing: Swad Stephen M - Form 3

	Date Exercisable	Expiration Date		Amount or Number of Shares		or Indirect (I) (Instr. 5)	
Employee Stock Option	11/09/2020	11/09/2020	Common Stock	150,000	\$ 22.39 <sup>(3)</sup> <u>(4)</u>	D	

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Swad Stephen M 1919 NORTH LYNN STREET 7TH FLOOR ARLINGTON, VA 22209			Chief Financial Officer	

## Signatures

Michael C. Wu,  
Attorney-in-fact  
11/15/2010

\_\_\_\_\_  
Signature of Reporting Person  
Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, *see* Instruction 5(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) In accordance with the Executive Employment Agreement entered into between Rosetta Stone Ltd. and Mr. Swad, effective November 9, 2010, these restricted shares will be subject to forfeiture restrictions that lapse one-third per annum beginning one year from November 9, 2010, the date of grant.
  - (2) In accordance with the Executive Employment Agreement entered into by Rosetta Stone Ltd. and Mr. Swad, effective November 9, 2010, Mr. Swad received a one-time new hire equity grant of 150,000 stock options. Options vest at a rate of one-fourth per annum.
  - (3) In accordance with the action of the Compensation Committee of the Rosetta Stone Inc. Board of Directors on October 12, 2010, the exercise price is equal to the Rosetta Stone Inc. stock price at close of business, October 12, 2010.
  - (4) Mr. Swad was designated a Section 16 officer by the Rosetta Stone Inc. Board of Directors on November 12, 2010.

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.