

**UNITED STATES OF AMERICA**

**Before the**

**SECURITIES AND EXCHANGE COMMISSION**

Administrative Proceedings  
File No. 3-11696

-----  
**In the Matter of**

**RS Investment Management, Inc., RS  
Investment Management, L.P.,  
G. Randall Hecht and Steven M. Cohen,**

**Respondents.**

-----

**PLAN OF DISTRIBUTION**

## Table of Contents

Section 1	Introduction and Background .....	3
Section 2	Method for Determining Shareholder Distributions .....	5
2.1	Identification of Non-Compliant Transactions .....	5
2.2	Measurement of Dilution Losses .....	6
	<i>Calculating the Day Ratio</i> .....	7
	<i>The Profit Estimate (Dilution from Infusions that Remain in Cash)</i> .....	7
	<i>Buy-Side Dilution from Infusions that Are Invested</i> .....	8
	<i>Sell-Side Dilution from Infusions that Are Invested</i> .....	8
2.3	Brokerage Cost Losses.....	9
	<i>Costs by Date</i> .....	10
2.4	Allocation of the Fund .....	10
Section 3	The Tax Administrator and the Fund Administrator .....	12
Section 4	Procedure for Locating and Notifying Eligible Shareholders.....	12
4.1	Locating Eligible Shareholders.....	12
	<i>Direct Purchases</i> .....	13
	<i>Indirect Purchases</i> .....	13
4.2	Notification to Shareholders and Others.....	15
Section 5	Procedure for Distributing the Allocations .....	16
Section 6	Plan Amendment, the Fund Administrator, and Bank Security.....	19
Section 7	Non-IRA Retirement Accounts.....	20
Section 8	Application of Payments from Other Plans .....	21

# DISTRIBUTION PLAN FOR RS FUNDS

## Section 1 Introduction and Background

1.1 This Plan of Distribution (the "Plan") has been developed pursuant to an Order of the Securities and Exchange Commission (the "Commission") instituting administrative cease-and-desist proceedings, making findings, and imposing remedial sanctions and a cease-and-desist order in the matter of RS Investment Management, Inc., RS Investment Management, L.P. (collectively, "RS"), G. Randall Hecht and Steven M. Cohen, dated October 6, 2004 (the "Order").

1.2 Section IV.G.1 of the Order orders that RS shall pay disgorgement in the total amount of \$11.5 million and a civil money penalty in the total amount of \$13.5 million, for a total amount of \$25,000,000. Section IV.G.2 provides that a Fair Fund be established for the funds described in Section IV.G.1. The Fair Fund constitutes a Qualified Settlement Fund ("QSF") under Section 468B(g) of the Internal Revenue Code, 26 U.S.C. §468B(g), and related regulations, 26 C.F.R. §§1.468B-1 through 1.468B-5. On or before November 5, 2004, RS deposited \$13 million into an escrow account at Union Bank of California ("UBOC"). On or about December 29, 2004, RS (a) caused the assets in the UBOC account (with accrued interest) to be transferred to an escrow account at Deutsche Bank Trust Company Americas (the "DB account") and (b) deposited an additional \$6 million into the DB account. On May 24, 2005, RS deposited an additional \$6 million (the final payment) into the DB account. On or about October 5, 2005, per the instructions of Commission staff, the assets in the DB account (\$25 million, plus interest, minus taxes and fees) were transferred to the Commission's Office of Financial Management. The Fair Fund has since been deposited at the Bureau of Public Debt of the United States Treasury for investment in government obligations. Other than interest from these investments, it is not anticipated that the Fair Fund will receive additional funds, except that, as detailed in paragraph 7.1, money from other proceedings may be distributed along with the Fair Fund money.

1.3 Paragraph 29(a) of the Order stipulates that RS shall retain the services of an Independent Distribution Consultant ("IDC") acceptable to the staff of the Commission and the independent Trustees of the RS Funds, and that RS shall require the IDC to develop a Distribution Plan for the distribution of the total disgorgement and penalty ordered in paragraph IV.G of the Order, and any interest or earnings thereon (collectively, the "Fair Fund" or the "Funds Available"), according to a methodology developed in consultation with RS and acceptable to the staff of the Commission and the independent Trustees of the RS Funds. The methods of calculation of each eligible investor's share of the Fair Fund are intended by the Commission to result in a fairly estimated payment to each eligible investor that restores the impaired value of the investor's investment in the RS Funds. Some of this impaired value is susceptible to calculation, while some of this impaired value is not.





































payments in accordance with this Plan, or (ii) to allocate and distribute such payments in accordance with the instructions of the Other Plan Administrator. Any distribution of any Other Plan Payment by the QSF shall be subject to the policies incorporated into this Plan, including the limitations on distributions of any *de minimis* amount. If the amounts to be paid to eligible RS accountholders have already been calculated when the Other Plan Payment is received, the IDC shall cause the Other Plan Payment to be distributed as if it were an undistributed asset under paragraph 5.12 or in such other manner that the IDC determines to be appropriate and consistent with the purposes of this Plan.

8.2 In the event that the Other Plan Administrator directs the QSF to distribute any Other Plan Payment in a manner that the IDC determines to be inconsistent with the purposes of this Plan, the IDC is authorized to make such adjustments to the proposed distribution of the Other Plan Payment as the IDC shall determine to be consistent with this Plan and appropriate in light of the circumstances.

Submitted on: July 2, 2007

By: 

Alan C. Shapiro  
IDC for RS