

NETWORK 1 SECURITY SOLUTIONS INC  
Form 10-Q  
May 14, 2010

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U.S. SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2010

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-14896

NETWORK-1 SECURITY SOLUTIONS, INC.  
(Exact Name of Registrant as Specified in Its Charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

11-3027591  
(IRS Employer Identification No.)

445 Park Avenue, Suite 1018, New York, New York 10022  
(Address of principal executive offices)

212-829-5770  
(Registrant's Telephone Number)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§223.405) of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "Large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer "      Accelerated filer "      Non-accelerated filer "      Smaller reporting company "

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The number of shares of Common Stock, \$.01 par value per share, outstanding as of May 12, 2010 was 24,135,557.

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NETWORK-1 SECURITY SOLUTIONS, INC.

Form 10-Q INDEX

	Page No.
PART I.	Financial Information
Item 1.	Financial Statements
	Condensed Balance Sheets as of March 31, 2010 (unaudited) and December 31, 2009
	3
	Condensed Statements of Operations for the three months ended March 31, 2010 and 2009 (unaudited)
	4
	Condensed Statements of Cash Flows for the three months ended March 31, 2010 and 2009 (unaudited)
	5
	Notes to Interim Unaudited Condensed Financial Statements
	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results Of Operations
	14
Item 3.	Quantitative and Qualitative Disclosures About Market Risk
	18
Item 4.	Controls and Procedures
	18
PART II.	Other Information
Item 1.	Legal Proceedings
	19
Item 1A.	Risk Factors
	21
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds
	21
Item 3.	Defaults Upon Senior Securities
	21
Item 5.	Other Information
	21
Item 6.	Exhibits
	21
Signatures	22

## Item 1. Financial Statements

NETWORK-1 SECURITY SOLUTIONS, INC.  
CONDENSED BALANCE SHEETS  
UNAUDITED

	MARCH 31, 2010	DECEMBER 31, 2009
	(UNAUDITED)	
Assets:		
Current assets:		
Cash and cash equivalents	\$ 2,269,000	\$ 3,022,000
Royalty and Interest Receivable	108,000	120,000
Other current assets	65,000	70,000
Total current assets	2,442,000	3,212,000
Security Deposits	6,000	6,000
Patents	90,000	92,000
	\$ 2,538,000	\$ 3,310,000
Liabilities:		
Current liabilities:		
Accounts payable	\$ 323,000	\$ 324,000
Accrued expenses and other current liabilities	101,000	261,000
Total current liabilities	424,000	585,000
Commitments and contingencies		
Stockholders' Equity		
Common stock - \$0.01 par value ; authorized 50,000,000 shares; 24,135,557 shares issued and outstanding at March 31, 2010 and December 31, 2009	241,000	241,000
Additional paid-in capital	56,004,000	55,957,000
Accumulated deficit	(54,131,000 )	(53,473,000 )
	2,114,000	2,725,000

\$ 2,538,000 \$ 3,310,000

See notes to condensed financial statements

3

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NETWORK-1 SECURITY SOLUTIONS, INC.  
CONDENSED STATEMENTS OF OPERATIONS  
UNAUDITED

	Three Months Ended March 31,	
	2010	2009
Royalty Revenue	\$118,000	\$27,000
Cost of Revenue	6,000	1,000
Gross Profit	112,000	26,000
Operating Expenses:		
General and administrative	723,000	\$436,000
Non-cash compensation	47,000	555,000
Total Operating Expenses	771,000	991,000
OPERATING LOSS	(658,000 )	( 965,000 )
Other Income (Expenses):		
Interest income, net	—	1,000
Loss Before Income Taxes	(658,000 )	( 964,000 )
INCOME TAXES	—	—
Net Loss	\$	