

NETWORK 1 SECURITY SOLUTIONS INC
Form 10-Q
November 15, 2011

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 September 30, 2011

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 1-15288

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 November 14, 2011 was 25,323,259.

NETWORK-1 SECURITY SOLUTIONS, INC.

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Item 1. Financial Statements

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

	September 30, 2011 (UNAUDITED)	December 31, 2010
Assets:		
Current assets:		
Cash and cash equivalents	\$ 23,072,000	\$ 21,348,000
Royalty Receivable	1,139,000	1,339,000
Other current assets	33,000	89,000
Total current assets	24,244,000	22,776,000
Other assets:		
Security deposits	19,000	6,000
Deferred tax asset	6,860,000	—
Patents, net of accumulated depreciation	76,000	83,000
Total other assets	6,955,000	89,000
Total assets	\$ 31,199,000	\$ 22,865,000
Liabilities:		
Current liabilities:		
Accounts payable	\$ 30,000	\$ 78,000
Accrued expenses	1,912,000	2,031,000
Deferred Rent	7,000	—
Income Taxes Payable	6,000	61,000
Total liabilities	1,955,000	2,170,000
Commitments and contingencies		
Stockholders' Equity		
Common stock - \$0.01 par value ; authorized 50,000,000 shares; 25,782,893 and 25,931,879 shares issued and outstanding at September 30,2011 and December 31,2010, respectively	258,000	259,000
Additional paid-in capital	57,547,000	57,266,000
Accumulated deficit	(28,561,000)	(36,830,000)

Total stockholders' equity	29,244,000	20,695,000
Total liabilities and stockholder's equity	\$ 31,199,000	\$ 22,865,000

See accompanying notes to condensed financial statements

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

UNAUDITED

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Royalty Revenue	\$ 1,222,000	\$ 32,560,000	\$ 6,611,000	\$ 32,850,000
Cost of Revenue	341,000	9,507,000	1,883,000	9,522,000
Gross Profit	881,000	23,053,000	4,728,000	23,328,000
Operating Expenses:				
General and Administrative	411,000	1,176,000	1,693,000	2,949,000
Additional Patent Expense	—	—	1,000,000	—
Non-Cash compensation	59,000	43,000	268,000	