

Motorola Solutions, Inc.
 Form 4
 February 03, 2011

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN 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 *
BROWN GREGORY Q

(Last) (First) (Middle)

1303 EAST ALGONQUIN ROAD

(Street)

SCHAUMBURG, IL 60196

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
 Motorola Solutions, Inc. [MSI]

3. Date of Earliest Transaction (Month/Day/Year)
 02/01/2011

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director 10% Owner
 Officer (give title below) Other (specify below)
 Pres & CEO, MSI

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
			Code	V	Amount	(D)	Price
Motorola Solutions, Inc. Common Stock	02/01/2011		A		106,782	A	\$ 0 479,886
						D	

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

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)
				Code	V (A) (D)	Date Exercisable Expiration Date	Title Amount Number Shares
Employee Stock Option (right to buy)	\$ 39.02	02/01/2011		A	665,778	⁽¹⁾ 02/01/2021	Motorola Solutions, Inc. Common Stock 665,778

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
BROWN GREGORY Q 1303 EAST ALGONQUIN ROAD SCHAUMBURG, IL 60196	X		Pres & CEO, MSI	

Signatures

Kristin L. Kruska, on behalf of Gregory Q. Brown, President and Chief Executive Officer, Motorola Solutins, Inc. (Power of Attorney on Attached) 02/03/2011
 **Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(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) These options vest in three equal installments, each vesting date to be the later of (a) the date on which the average closing price of Company common stock over a fifteen day trading period is 10% greater than the average closing price of Company common stock over the fifteen day trading period immediately following the distribution of Motorola Mobility Holdings, Inc. on January 4, 2011, and (b) the first, second and third anniversary of the grant date.

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. idth="1%" style="TEXT-ALIGN: left"> 25,813,038 24,422,567

Dilutive effect of options and warrants	5,117,445	4,197,415
Weighted-average common shares outstanding - diluted	30,930,483	28,619,982
Options and Warrants excluded from the computation of diluted income (loss) per share because the effect of inclusion would have been anti-dilutive	4,662,252	6,371,825

[8]

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F-7

NETWORK-1 SECURITY SOLUTIONS, INC.

Note B – Summary of Significant Accounting Policies (continued)

[9] Financial instruments:

The carrying amounts of cash and cash equivalents, accounts payable and accrued expenses approximate their fair value due to the short period to maturity of these instruments. The investment in a corporate bond is reported at the closing price reported on the active market on which the bond is traded.

[10] Stock-based compensation:

The Company accounts for its stock-based compensation at fair value estimated on the grant date using the Black-Scholes option pricing model. See Note D[1] for further discussion of the Company's stock-based compensation.

[11] Allowance for Doubtful Accounts:

The Company uses estimates to determine the amount of the allowance for doubtful accounts necessary to reduce accounts receivable to their expected net realizable value. There was no allowance for doubtful accounts at December 31, 2011 and 2010.

[12] Fair Value Measurements:

Accounting Standard Codification ("ASC") Topic 820 ("ASC 820") utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

The Company's financial assets subject to fair value measurements and the necessary disclosures are as follows:

	Fair Value as of December 31, 2011	Fair Value Measurements at December 31, 2011 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Cash and cash equivalents	\$20,660,842	\$20,660,842	\$—	\$—
Corporate bond	556,376	—	556,376	
Total	\$21,217,218	\$20,660,842	\$556,376	\$—

	Fair Value as of December 31, 2010	Fair Value Measurements at December 31, 2010 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 21,347,914	\$ 21,347,914	\$ —	\$—
Total	\$ 21,347,914	\$ 21,347,914	\$ —	\$—

Explanation of Responses:

F-8

NETWORK-1 SECURITY SOLUTIONS, INC.

Note B – Summary of Significant Accounting Policies (continued)

[13] Subsequent event evaluation:

The Company has evaluated subsequent events from the balance sheet date through the issuance date of the financial statements and has determined that there are no such events that would have a material impact on the financial statements (See Note L).

[14] Recently issued accounting standards:

In May 2011, the Financial Accounting Standards Board (“FASB”) issued Update No. 2011-04, Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (“ASU No. 2011-04”). ASU No. 2011-04 provides a uniform framework for fair value measurements and related disclosures between GAAP and International Financial Reporting Standards (“IFRS”) and requires additional disclosures, including: (i) quantitative information about unobservable inputs used, a description of the valuation processes used, and a qualitative discussion about the sensitivity of the measurements to changes in the unobservable inputs, for Level 3 fair value measurements; (ii) fair value of financial instruments not measured at fair value but for which disclosure of fair value is required, based on their levels in the fair value hierarchy; and (iii) transfers between Level 1 and Level 2 of the fair value hierarchy. ASU No. 2011-04 is effective for interim and annual periods beginning on or after December 15, 2011. The adoption of this update on January 1, 2012, is not expected to have a material impact on the Company’s financial statements.

In June 2011, the FASB issued Update No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income (“ASU No. 2011-05”). ASU No. 2011-05 requires the presentation of net income and other comprehensive income in one continuous statement or in two separate but consecutive statements. ASU No. 2011-05 is effective for interim periods beginning on or after December 15, 2011. The Company adopted this update for the year ended December 31, 2011.

In September 2011, the FASB issued Update No. 2011-09, Compensation – Retirement Benefits (Topic 715): Disclosures about an Employer’s Participation in a Multiemployer Plan (“ASU No. 2011-09”). ASU No. 2011-09 requires enhanced disclosures about an entity’s participation in multiemployer plans that offer pension and other postretirement benefits. ASU No. 2011-09 became effective for interim and annual periods ending on or after December 15, 2011. The adoption of this update on December 31, 2011 did not have a material impact on the Company’s financial statements.

Note C- Patents

In November 2003, the Company acquired a portfolio of telecommunications and data networking patents (six patents) from Merlot Communications, Inc., the successor of which is BAXL Technologies, Inc. (the "Seller"). The purchase price for the patent portfolio was \$100,000. As additional consideration for the purchase, the Company granted the Seller a nonexclusive, royalty free, perpetual license for the term of each patent to use the patents for the development, manufacture or sale of its own branded products to end users. The cash price has been capitalized and is being amortized over the remaining useful life of each patent. The Company had agreed to pay the Seller 20% of the net income, as defined, after the first \$4,000,000 of net income realized by the Company on a per patent basis from the sale or licensing of the patents. On January 18, 2005, the Company and Seller amended the Patent Purchase Agreement "Amendment") pursuant to which the Company paid additional purchase price of \$500,000 to Seller in

F-9

NETWORK-1 SECURITY SOLUTIONS, INC.

Note C- Patents (continued)

consideration for the restructuring of future contingent payments to Seller from the licensing or sale of the Patents. Such \$500,000 has been recorded as an expense in 2005. The Amendment provides for future contingent payments by the Company to Seller of \$1.0 million upon achievement of \$25 million of Net Royalties (as defined), an additional \$1.0 million upon achievement of \$50 million of Net Royalties and an additional \$500,000 upon achievement of \$62.5 million of Net Royalties from licensing or sale of the patents acquired from the Seller. Amortization expense amounted to \$9,000 for both years ended December 31, 2011 and 2010. At December 31, 2011, a payment of \$1.0 million was payable to Seller since Net Royalties of \$25 million was achieved. This amount has been recorded as additional patent expense.

Note D - Stockholders' Equity

[1] Stock options:

During 1996, the Board of Directors and stockholders approved the adoption of the 1996 Stock Option Plan (the "1996 Plan"). The 1996 Plan, as amended, provided for the granting of both incentive and non-qualified options to purchase common stock of the Company. A total of 4,000,000 were eligible to be issued under the 1996 Plan. As of March 2006, in accordance with the terms of the plan, no further options were eligible to be issued under the Plan.

The term of options granted under the 1996 Plan may not exceed ten years (five years in the case of an incentive stock option granted to an employee/director owning more than 10% of the voting stock of the Company) ("10% stockholder"). The option price for incentive stock options cannot be less than 100% of the fair market value of the shares of common stock at the time the option is granted (110% for a 10% stockholder). Option terms and vesting periods were set by the Compensation Committee (or the Board of Directors) in its discretion.

The fair value of options on the date of grant is estimated using the Black-Scholes option-pricing model utilizing the following weighted average assumptions:

	Year Ended December 31,	
	2011	2010
Risk-free interest rates	2.05% – 2.18%	2.71%
Expected option life in years	5 years	5 years
Expected stock price volatility	42.04%	42.25%
Expected dividend yield	0.00%	0.00%

The weighted average fair value on the option grant date during the years ended December 31, 2011 and 2010 was \$0.63 and \$0.37 per option, respectively.

NETWORK-1 SECURITY SOLUTIONS, INC.

Note D - Stockholders' Equity (continued)

The following table summarizes stock option activity for the years ended December 31:

	2011	Weighted Average Exercise Price	2010	Weighted Average Exercise Price
	Options Outstanding		Options Outstanding	
Options outstanding at beginning of year	7,947,613	\$0.62	9,103,895	\$0.61
Granted	430,000	\$1.60	200,000	\$0.90
Cancelled/expired/exercised	(1,169,531)	\$0.55	(1,356,282)	\$0.61
Options outstanding at end of year	7,208,070	\$0.69	7,947,613	\$0.62
Options exercisable at end of year	6,853,903	\$0.65	7,593,446	\$0.61

During the years ended December 31, 2011 and 2010, the Company granted an aggregate of 430,000 and 200,000 5-year options to its officers, directors and consultants, respectively. The fair value of these options based on the Black-Scholes option-pricing model amounted to \$271,000 and \$73,000, respectively, for the 2011 and 2010 grants. The Company recorded non-cash compensation of \$104,000 and \$73,000 for the vesting portion of these options for the years ended December 31, 2011 and 2010, respectively. The Company also recognized non-cash compensation of \$164,000 and \$176,000 in 2011 and 2010, respectively, for the options that were granted in prior years but vested in 2011 and 2010.

On February 2, 2011, the Company extended for three years the expiration dates of certain outstanding options issued to a consultant to purchase an aggregate of 75,000 shares of common stock at \$0.68 per share. The Company incurred non-cash compensation charges of \$5,000 with respect to this option extension.

On May 20, 2011, the Company extended the expiration dates of options (expiring in 2011) for three years to purchase an aggregate of 745,218 shares of common stock held by officers, directors and a third party. The extensions of the expiration dates for an aggregate of 690,218 shares of such options were subsequently cancelled in December 2011 and the Company recorded non-cash compensation of \$5,000 with respect to the option extensions which were not cancelled. (See Note H[3]).

On April 16, 2010, the Board of Directors of the Company approved a three year extension of the expiration dates (which were to expire in 2010) for certain outstanding options to purchase an aggregate of 955,000 shares of common stock, exercisable at \$0.68 per share. The Company recorded additional compensation of \$153,000 for this modification (See Note H[1]).

During the year ended December 31, 2011, options to purchase an aggregate of 1,031,467 shares of the Company's common stock were exercised at prices of between \$0.13 and \$0.70 per share, for total proceeds to the Company of \$163,028. As some of these options were exercised on a cashless basis, 851,157 shares of common stock were

issued. In addition, 230,234 shares were delivered with a value of \$283,000 to fund payroll withholding taxes on exercise.

F-11

NETWORK-1 SECURITY SOLUTIONS, INC.

Note D- Stockholders' equity (continued)

The following table presents information relating to all stock options outstanding and exercisable at December 31, 2011:

Range of Exercise Price	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life in Years	Options Exercisable	Weighted Average Exercise Price
\$0.12 - \$1.60	7,188,070	\$ 0.68	2.19	6,833,903	\$ 0.64
\$3.06 - \$3.75	20,000	\$ 3.75	0.96	20,000	\$ 3.75
	7,208,070	\$ 0.69	2.09	6,853,903	\$ 0.65

[2] Warrants:

As of December 31, 2011, the following are the outstanding warrants to purchase shares of the Company's common stock:

Number of Warrants	Exercise Price	Expiration Date
300,000	\$0.68	July 11, 2014
250,000	\$0.68	October 8, 2013
234,960	\$1.50	April 16, 2012
1,666,667	\$1.75	April 16, 2012
120,000	\$2.00	April 16, 2012
2,571,627		

On April 16, 2010, the Board of Directors of the Company approved a three year extension of the expiration dates (which were to expire in October, 2010) for certain warrants to purchase an aggregate of 250,000 shares of common stock, exercisable at \$0.68 per share.

On May 21, 2010, the Board of Directors of the Company approved a 5 day extension of the expiration date (from May 21, 2010 to May 26, 2010) for certain outstanding warrants to purchase an aggregate of 473,750 shares issued as part of a private placement in December 2004/January 2005 and also reduced the exercised price of such warrants to \$0.82 per share (from \$1.75 per share).

On May 21, 2010, the Board of Directors of the Company approved a one year extension of the expiration date (from May 21, 2010 to May 21, 2011) of certain outstanding warrants to purchase an aggregate of 50,000 shares of common

stock exercisable at \$0.68 per share.

On May 20, 2011, the Company extended for three years the expiration dates of warrants (expiring in 2011) to purchase an aggregate of 350,000 shares of common stock held by the Chief Executive Officer and a Director and the Company recorded non-cash compensation of \$30,000 with respect to such extensions.

F-12

NETWORK-1 SECURITY SOLUTIONS, INC.

Note D- Stockholders' equity (continued)

During the year ended December 31, 2011, warrants to purchase an aggregate of 50,000 shares of the Company's common stock were exercised at a price of \$0.68 per share, on a cashless basis resulting in the issuance of 24,815 shares.

Note E - Commitments and Contingencies

[1] Services agreement:

On November 30, 2004, the Company entered into a master services agreement (the "Agreement") with ThinkFire Services USA, Ltd. ("ThinkFire") pursuant to which ThinkFire has been granted the exclusive worldwide rights (except for direct efforts by the Company and related companies) to negotiate license agreements for the Remote Power Patent with respect to certain potential licensees agreed to between the parties. Either the Company or ThinkFire can terminate the Agreement upon 60 days' notice for any reason or upon 30 days' notice in the event of a material breach. The Company agreed to pay ThinkFire a fee not to exceed 20% of the royalty payments received from license agreements consummated by ThinkFire on its behalf after the Company recovers its expenses. For the years ended December 31, 2011 and December 31, 2010, fees incurred to ThinkFire amounted to \$84,966 and \$473,673, respectively.

[2] Legal fees:

Dovel & Luner, LLP provides legal services to the Company with respect to the Company's pending patent litigation filed in September 2011 against sixteen (16) data networking equipment manufacturers in the United States District Court for the Eastern District of Texas, Tyler (See Note J[1]). The terms of the Company's agreement with Dovel & Luner LLP essentially provides for legal fees on a full contingency basis ranging from 12.5% to 35% of the net recovery (after deduction for expenses) depending on the stage of the preceding in which a result (settlement or judgment) is achieved.

Dovel & Luner, LLP provided legal services to the Company with respect to the Company's patent litigation settled in July 2010 against several major data networking equipment manufacturers. (See Note J[2]). The terms of the Company's agreement with Dovel & Luner, LLP provided for legal fees of a maximum aggregate cash payment of \$1.5 million plus a contingency fee of up to 24% (based on the settlement being achieved at the trial stage) including legal fees of local counsel in Texas. During the years ended December 31, 2011 and 2010, total contingency fees incurred to Dovel & Luner, LLP (including local counsel) approximated \$1,651,000 and \$7,471,000, respectively.

With respect to the Company's litigation against D-Link, which was settled in May 2007 (See Note J[3]), the Company utilized the services of Blank Rome, LLP, on a full contingency basis. In accordance with the Company's contingency fee agreement with Blank Rome LLP, once the Company recovers its expenses related to the litigation (which has not been achieved yet), the Company is obligated to pay legal fees to Blank Rome LLP equal to 25% of the royalty revenue received by the Company from its license agreement with D-Link.

[3] Operating leases:

The Company leases its principal office space in New York City at a monthly base rent of approximately \$3,400 which lease expires in November 2012.

F-13

NETWORK-1 SECURITY SOLUTIONS, INC.

Note E - Commitments and Contingencies (continued)

On June 16, 2011, the Company entered into a four-year lease agreement commencing July 18, 2011 to rent office space, consisting of approximately 2,400 square feet, for offices in New Canaan, Connecticut. In accordance with the lease, the Company will pay a base rent of \$6,400 per month for the first two years, \$6,800 per month for the third year and \$7,000 per month for the fourth year. The base rent is subject to annual adjustments to reflect increases in real estate taxes and operating expenses. The Company also entered into a one year sublease at a base rent of \$3,700 per month to sublet approximately 50% of the space to a third party.

Rental expense for the years ended December 31, 2011 and 2010 aggregated \$72,000 and \$44,000, respectively, net of sublease income of \$18,000 and \$0-.

[4] Savings and investment plan:

The Company has a Savings and Investment Plan which allows participants to make contributions by salary reduction pursuant to Section 401(k) of the Internal Revenue Code of 1986. The Company also may make discretionary annual matching contributions in amounts determined by the Board of Directors, subject to statutory limits. The 401(k) Plan expense for the years ended December 31, 2011 and 2010 was \$32,500 for each year.

Note F – Income Taxes

At December 31, 2011, the Company had net operating loss carryforwards (NOLs) totaling approximately \$27,000,000 expiring through 2029, with a future tax benefit of approximately \$9,450,000. During 2011, as a result of the Company's recent results and projected future operating results, management determined that a portion of the NOL was more likely than not to be utilized resulting in the recording of a one-time, non-cash tax benefit. Accordingly, at December 31, 2011, \$6,903,000 has been recorded as a deferred tax benefit on the Company's balance sheet and \$6,903,000 (or \$0.22 per share on a diluted basis) has also been recorded as income for the year ended December 31, 2011. To the extent that the Company earns income in the future, it will report income tax expense and such expense attributable to federal income taxes will reduce the recorded income tax benefit asset reflected on the balance sheet. Management will continue to evaluate the recoverability of the NOL and adjust the deferred tax asset appropriately. Utilization of NOL credit carryforwards can be subject to a substantial annual limitation due to ownership change limitations that could occur in the future, as required by Section 382 of the Internal Revenue Code of 1986, as amended, as well as similar state provisions.

The principal components of the net deferred tax assets are as follows:

	Year Ended December 31,	
	2011	2010
Deferred tax assets:		
Net operating loss carryforwards	\$ 9,450,000	\$ 10,475,000
Options and warrants not yet deducted, for tax purposes	990,000	1,300,000
	10,440,000	11,775,000
Valuation allowance	(3,537,000)	(11,775,000)

Explanation of Responses:

Net deferred tax assets	\$	6,903,000	\$	0
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F-14

NETWORK-1 SECURITY SOLUTIONS, INC.

Note F – Income Taxes (continued)

The reconciliation between the taxes as shown and the amount that would be computed by applying the statutory federal income tax rate to the income before income taxes is as follows:

	Year Ended	
	December 31,	
	2011	2010
Income tax - statutory rate	34.0%	34.0%
State and local, net	0.0%	3.5%
Valuation allowance on deferred tax assets (Utilization of NOL)	(461.3)%	(37.5)%

While only the tax returns for the four years ended December 31, 2011 are open for examination for taxes payable for those years, tax authorities could challenge returns for earlier years to the extent that they generated loss carry forwards that are available for those or future years.

Note G - Concentrations

The Company places its cash investments in high quality financial institutions which at December 31, 2011 exceed the Federal Insurance Deposit Corporation \$250,000 limit. At December 31, 2011, the Company invested \$19,525,868 in a money market fund.

Note H - Related Party Transactions

- [1] On April 16, 2010, the Company's Board of Directors approved a three year extension of the expiration dates (which were in 2010) for certain outstanding options and warrants to purchase an aggregate of 1,205,000 shares of the Company's common stock, exercisable at \$0.68 per share, held by its Chairman and Chief Executive Officer and an affiliated entity (1,005,000 shares), Chief Financial Officer (75,000 shares) and two consultants (125,000 shares).
- [2] On March 16, 2011, the Company's employment agreement, dated June 8, 2009, with its Chairman and Chief Executive Officer, was amended pursuant to which, in consideration of a payment of \$250,000, the Chairman and Chief Executive Officer agreed to reduce Additional Bonus Compensation and Royalty Bonus Compensation (as such terms are defined in Section 5(b)(ii) of the agreement) payable to him from the proceeds of patents other than the Remote Power Patent from 12.5% to 10%.
- [3] On May 20, 2011, the Company's Board of Directors approved three year extensions of the expiration dates (which were to expire in 2011) for certain outstanding options and warrants to purchase an aggregate of 1,095,218 shares of common stock, exercisable at \$0.13 and \$0.68 per share, which included options and warrants held by the Chairman and Chief Executive Officer, and an affiliated entity (aggregate of 835,218 shares), Chief Financial Officer (75,000 shares), and two directors (aggregate 150,000 shares). The extensions of the expiration dates for the Chairman and CEO (515,218 shares), Chief Financial Officer (75,000 shares), and two directors (aggregate 100,000 shares) were subsequently cancelled in December 2011 as the holders exercised such options prior to the original expiration dates of such options. In addition, in December 2011 the Chairman and CEO delivered

230,234 shares with a value of \$283,000 to the Company to fund payroll withholding taxes with respect to his exercise of an option to purchase 515,218 shares of common stock.

[4] On October 15 and October 17, 2011, the Company repurchased 114,815 and 24,434 shares of its common stock from a director and a consultant, respectively, at an aggregate purchase price of \$187,986 or \$1.35 per share (the fair market value at the date of purchase). The repurchase was part of the Company's stock repurchase program to repurchase up to \$4,000,000 of its common stock (See Note K).

F-15

NETWORK-1 SECURITY SOLUTIONS, INC.

Note I - Employment Arrangements and Other Agreements

[1] On June 8, 2009, the Company entered into an Employment Agreement (the "Agreement") with its Chairman and Chief Executive Officer pursuant to which he continues to serve in such capacity for a three year term at an annual base salary of \$375,000 (retroactive to April 1, 2009) for the first year and increasing 5% on each of April 1, 2010 and April 1, 2011. The Chairman and Chief Executive Officer also receives a cash bonus in an amount no less than \$150,000 on an annual basis for the three year term of the Agreement. For the years ended December 31, 2011 and December 31, 2010, he received an annual bonus of \$150,000 and \$350,000, respectively. In connection with the Agreement, the Chairman and Chief Executive Officer was issued a ten (10) year option to purchase 750,000 shares of common stock at an exercise price of \$0.83 per share, which vests in equal quarterly amounts of 62,500 shares beginning June 30, 2010 through March 31, 2012, subject to acceleration upon a change of control. He shall forfeit the balance of unvested shares if his employment has been terminated "For Cause" (as defined) by the Company or without "Good Reason" (as defined) by him. In addition to the aforementioned option grant, the Company extended for an additional five (5) years the expiration dates of all options (an aggregate of 417,500 shares) expiring in the calendar year 2009 owned by the Chairman and Chief Executive Officer.

Under the terms of the Agreement, the Chairman and Chief Executive Officer also receives additional bonus compensation in an amount equal to 5% of the Company's royalties or other payments (exclusive of proceeds from the sale of the Company's patents which is covered below) with respect to the Company's remote power patent (U.S. Patent No. 6,218,930) (the "Remote Power Patent") and 10% (as amended in March 2011) (See Note H[2]) of the Company's royalties and other payments with respect to the Company's other patents besides the Remote Power Patent (the "Additional Patents") (all before deduction of payments to third parties including, but not limited to, legal fees and expenses and third party license fees) actually received from licensing its patented technologies (including patents owned as of the date of the Agreement and acquired or licensed on an exclusive basis during the period in which he continues to serve as an executive officer of the Company) (the "Royalty Bonus Compensation"). For the years ended December 31, 2011 and December 31, 2010, the Chairman and Chief Executive Officer earned Royalty Bonus Compensation of \$369,922 and \$1,651,074, respectively. To the extent that any Royalty Bonus Compensation results from the Company's settlement with a third party and the Chairman and Chief Executive Officer and an entity owned by him are required to release any rights or participate in any settlement arrangement, any Royalty Bonus Compensation arising in such circumstances shall be paid 65% to the Chairman and Chief Executive Officer and 35% to his affiliated entity, unless otherwise agreed by the Company, the Chairman and Chief Executive Officer and his affiliate. In addition, during the term of his employment, the Chairman and Chief Executive Officer is also entitled to additional bonus compensation equal to (i) 5% of the gross proceeds from the sale of the Company's Remote Power Patent and 10% of the gross proceeds from the sale of the Additional Patents, and (ii) 5% of the gross proceeds from the merger of the Company with or into another entity. The Royalty Bonus Compensation shall continue to be paid to the Chairman and Chief Executive Officer for the life of each of the Company's patents with respect to licenses entered into with third parties during his term of employment or at anytime thereafter, whether he is employed by the Company or not; provided, that, his employment has not been terminated by the Company "For Cause" (as defined) or terminated by the Chairman and Chief Executive Officer without "Good Reason" (as defined). In the event that his employment is terminated by the Company "Other Than For Cause" (as defined) or by the Chairman and Chief Executive Officer for "Good Reason" (as defined), he shall also be entitled to (i) a lump sum severance payment of 12 months base salary, (ii) the minimum annual bonus of \$150,000 and (iii) accelerated vesting of all unvested options and warrants.

In connection with the Agreement, the Chairman and Chief Executive Officer has agreed not to compete with the Company as follows: (i) during the term of the Agreement and for a period of 12 months thereafter if his employment

is terminated “Other Than For Cause” (as defined) provided he is paid his 12 month base salary severance amount and (ii) for a period of two years from the termination date, if terminated “For Cause” by the Company or “Without Good Reason” by the Chairman and Chief Executive Officer.

[2] On February 3, 2011, the Company entered into a new agreement with its Chief Financial Officer pursuant to which he continues to serve as Chief Financial Officer through December 31, 2012. In consideration for his services, the Chief Financial Officer is compensated at the rate of \$9,000 per month for the year ending

F-16

NETWORK-1 SECURITY SOLUTIONS, INC.

Note I - Employment Arrangements and Other Agreements (continued)

December 31, 2011 and is compensated at the rate of \$9,450 per month for the year ending December 31, 2012. In connection with the agreement, the Chief Financial Officer was also issued a five (5) year option (the "Option") to purchase 100,000 shares of our common stock at an exercise price of \$1.59 per share. The option vested 50,000 shares on the date of grant and the balance of the shares (50,000) vested on the one year anniversary date (February 3, 2012) from the date of grant.

Note J – Litigation

- [1] In September 2011, the Company initiated patent litigation against 16 data networking equipment manufacturers in the United States District Court for the Eastern District of Texas, Tyler Division, for infringement of its Remote Power Patent. Named as defendants in the lawsuit, excluding related parties, were Alcatel-Lucent USA, Inc., Allied Telesis, Inc., Avaya Inc., AXIS Communications Inc., Dell, Inc., GarrettCom, Inc., Hewlett-Packard Company, Huawei Technologies USA, Juniper Networks, Inx., Motorola Solutions, Inc., NEC Corporation, Polycom Inc., Samsung Electronics Co., Ltd., ShoreTel, Inc., Sony Electronics, Inc., and Transition Networks, Inc. Network-1 seeks monetary damages based upon reasonable royalties. Several of the defendants (Samsung, Polycom, Alcatel, ShoreTel and Allied Telesis) have filed motions to dismiss the complaint for failure to state a cause of action. Network-1 has filed opposition in response to the motions to dismiss. All such motions are pending.
- [2] In July 2010, the Company settled its patent litigation pending in the United States District Court for the Eastern District of Texas, Tyler Division, against Adtran, Inc, Cisco Systems, Inc. and Cisco-Linksys, LLC, (collectively, "Cisco"), Enterasys Networks, Inc., Extreme Networks, Inc., Foundry Networks, Inc., and 3Com Corporation, Inc. As part of the settlement, Adtran, Cisco, Enterasys, Extreme Networks and Foundry Networks each entered into a settlement agreement with the Company and entered into non-exclusive licenses for our Remote Power Patent (the "Licensed Defendants"). Under the terms of the licenses, the Licensed Defendants paid the Company aggregate upfront payments of approximately \$32 million and also agreed to license the Remote Power Patent for its full term, which expires in March 2020. In accordance with the Settlement and License Agreement, dated May 25, 2011, which expanded upon the July 2010 agreement, Cisco is obliged to pay the Company royalties (which began in the first quarter of 2011) based on its sales of PoE products up to maximum royalty payments per year of \$8 million through 2015 and \$9 million per year thereafter for the remaining term of the patent. The royalty payments are subject to certain conditions including the continued validity of the Company's Remote Power Patent, and the actual royalty amounts received may be less than the caps stated above, as was the case in 2011. Under the terms of the Agreement, if the Company grants other licenses with lower royalty rates to third parties (as defined in the Agreement), Cisco shall be entitled to the benefit of the lower royalty rates provided it agrees to the material terms of such other license. Under the terms of the Agreement, the Company has certain obligations to Cisco and if it materially breaches such terms, Cisco will be entitled to stop paying royalties to the Company. This would have a material adverse effect on the Company's business, financial condition and results of operations. For more details about the July 2010 settlement, please see the Company's Current Reports on Form 8-K filed with the Securities and Exchange Commission on July 20, 2010 and June 1, 2011.

In May 2009, the Company achieved a settlement with Netgear, Inc. ("Netgear"), also a defendant in the above referenced litigation in Tyler, Texas which was settled with the other defendants in July 2010. As part of the settlement and under its Special Licensing Program, Netgear entered into a license agreement with the Company for the Remote Power Patent effective April 1, 2009. Under the terms of the license, Netgear licenses the Remote Power Patent from the Company for its full term (which expires in March 2020), and pays quarterly royalties (which began

as of April 1, 2009) based on its sales of Power over Ethernet products, including those Power over Ethernet products which comply with the Institute of Electrical and Electronic Engineers 802.3af and 802.3at Standards. Licensed products include Netgear's Power over Ethernet enabled switches and wireless access points. The royalty rates included in the license are 1.7% of the sales price of Power Sourcing Equipment, which includes Ethernet switches, and 2% of the sales price of Powered Devices, which includes wireless access points. The royalty rates are subject to

F-17

NETWORK-1 SECURITY SOLUTIONS, INC.

Note J – Litigation (continued)

adjustment, under certain circumstances, if the Company grants a license to other licensees with lower royalty rates and Netgear is able to and agrees to assume all material terms and conditions of such other license. In addition, Netgear made a payment of \$350,000 to the Company with respect to the settlement.

[3] D-Link Settlement

In August 2007, the Company finalized the settlement of its patent infringement litigation against D-Link. Under the terms of the settlement, D-Link entered into a license agreement for the Company's Remote Power Patent the terms of which include monthly royalty payments of 3.25% (subject to adjustment as noted below) of the net sales of D-Link Power over Ethernet products, including those products which comply with the IEEE 802.3af and 802.3at Standards, for the full term of the Company's Remote Power Patent, which expires in March 2020. In addition, D-Link paid the Company \$100,000 upon signing of the Settlement Agreement. The royalty rate is subject to adjustment to a rate consistent with other similarly situated licensees of the Company's Remote Power Patent based on units of shipments of licensed products. In June 2010, based upon several licenses issued to third parties under the Company's Special Licensing Program, the Company agreed with D-Link to adjust the royalty rate to 1.7% of the sales price for Power Servicing Equipment (which includes Ethernet switches) and 2.0% of the sales price for Powered Devices (which includes wireless access points).

[4] Microsemi - PowerDsine Settlement

On November 16, 2005, the Company entered into a Settlement Agreement with PowerDsine, Inc. and PowerDsine Ltd. (collectively, "PowerDsine") which dismissed, with prejudice, patent litigation brought by PowerDsine against the Company in March 2004 in the United States District Court for the Southern District of New York that sought a declaratory judgment that the Company's Remote Power Patent was invalid and not infringed by PowerDsine and/or its customers. Under the terms of the Settlement Agreement, the Company agreed that, under certain circumstances, it would not initiate litigation against PowerDsine for its sale of Power over Ethernet (PoE) integrated circuits. In addition, the Company agreed that it would not seek damages for infringement from customers that incorporate PowerDsine integrated circuit products in PoE capable Ethernet switches manufactured on or before April 30, 2006. PowerDsine agreed that it will not initiate, assist or cooperate in any legal action relating to the Remote Power Patent. In June 2008 the Company entered into a new agreement with Microsemi Corp-Analog Mixed Signal Group Ltd ("Microsemi Analog"), previously PowerDsine Ltd, a subsidiary of Microsemi Corporation ("Microsemi"), a leading manufacturer of high performance analog mixed-signal integrated circuits and high reliability semiconductors, which, among other things, amended the prior Settlement Agreement entered into between the parties in November 2005. As part of the Company's Special Licensing Program and its agreement with Microsemi Analog entered into in June 2009, Microsemi entered into a license agreement, dated August 13, 2008, with the Company with respect to its Remote Power Patent. The license agreement provides that Microsemi is obligated to pay the Company quarterly royalty payments of 2% of the sales price for certain of Microsemi's Midspan PoE products for the full term of our Remote Power Patent (March 2020).

NOTE K – STOCK REPURCHASE PROGRAM

On August 22, 2011, the Company announced that the Board of Directors approved a share repurchase program to repurchase up to \$2,000,000 of shares of its common stock over the next 12 months ("Share Repurchase Program"). The common stock may be repurchased from time to time in open market transactions or privately negotiated transactions in the Company's discretion. The timing and amount of the shares repurchased will be

determined by management based on its evaluation of market conditions and other factors. The repurchase program may be increased, suspended or discontinued at any time. On January 31, 2012, the Board of Directors increased the Share Repurchase Program to repurchase up to an additional \$2,000,000 (or an aggregate of \$4,000,000) of the Company's common stock. During the year ended December 31, 2011, the Company repurchased an aggregate of 1,540,099 shares of common stock pursuant to its Share Repurchase Program at a cost of \$1,972,652 or an average price per share of \$1.28.

F-18

NETWORK-1 SECURITY SOLUTIONS, INC.

NOTE L – SUBSEQUENT EVENTS

- [1] On January 4, 2012, CMH Capital Management Corp., an entity which is owned 100% by the Company's Chairman and CEO, exercised a warrant to purchase 300,000 shares of the Company's common stock, at an exercise price of \$0.68 per share, on a cashless basis (171,428 shares delivered in payment of aggregate exercise price) and the Chairman and CEO also exercised an option to purchase 20,000 shares of common stock, at an exercise price of \$0.68 per share, on a cashless basis (11,428 shares delivered in payment of the aggregate exercise price) and 2,687 shares were delivered to fund the withholding taxes which resulted in 5,885 net shares issued with respect to the option exercise.
- [2] On January 27, 2012, the Company issued to a newly elected director a 5 year option to purchase 50,000 shares of its common stock, at an exercise price of \$1.21 per share. On January 31, 2012 and February 24, 2012, the Company issued to each of its three non-management directors 5 year options to purchase an aggregate of 25,000 shares, at exercise prices per share of \$1.21 (10,000 shares) and \$1.35 (15,000 shares). In addition, on February 29, 2012, the Chairman and CEO exercised an option to purchase 375,000 shares of the Company's common stock, at an exercise price of \$0.68 per share, on a cashless basis (183,453 shares were delivered in payment of the aggregate exercise price) and 63,498 shares were delivered to fund the withholding taxes which resulted in 128,049 net shares issued with respect to the option exercise.
-

PART II.

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the expenses in connection with the offering described in the Registration Statement, all of which will be borne by us.

SEC registration fee	\$ -0-
Legal fees and expenses*	\$ 15,000.00
Accounting fees and expenses*	\$ 1,500.00
Miscellaneous expenses*	\$ 1,000.00
TOTAL	\$ 17,500.00

* Estimated.

Item 14. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporations Law (the "DGCL") contains provisions entitling our directors and officers to indemnification from judgments, fines, amounts paid in settlement, and reasonable expenses (including attorneys' fees) as the result of an action or proceeding in which they may be involved by reason of having been a director or officer of the Company. In its Certificate of Incorporation, the Company has included a provision that limits, to the fullest extent now or hereafter permitted by the DGCL, the personal liability of its directors to the Company or its stockholders for monetary damages arising from a breach of their fiduciary duties as directors. Under the DGCL as currently in effect, this provision limits a director's liability except where such director (i) breaches his duty of loyalty to the Company or its stockholders, (ii) fails to act in good faith or engages in intentional misconduct or a knowing violation of law, (iii) authorizes payment of an unlawful dividend or stock purchase or redemption as provided in Section 174 of the DGCL, or (iv) obtains an improper personal benefit. This provision does not prevent the Company or its stockholders from seeking equitable remedies, such as injunctive relief or rescission. If equitable remedies are found not to be available to stockholders in any particular case, stockholders may not have any effective remedy against actions taken by directors that constitute negligence or gross negligence.

The Certificate of Incorporation also includes provisions to the effect that (subject to certain exceptions) the Company shall, to the maximum extent permitted from time to time under the law of the State of Delaware, indemnify, and upon request shall advance expenses to, any director or officer to the extent that such indemnification and advancement of expenses is permitted under such law, as it may from time to time be in effect. In addition, the Bylaws require the Company to indemnify, to the full extent permitted by law, any director, officer, employee or agent of the Company for acts which such person reasonably believes are not in violation of the Company's corporate purposes as set forth in the Certificate of Incorporation. At present, the DGCL provides that, in order to be entitled to indemnification, an individual must have acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the Company's best interests.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Company pursuant to any charter, provision, by-law, contract, arrangement, statute or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

II-1

Item 16. Exhibits

No. Description

3.(i)(a) Certificate of Incorporation, as amended. Previously filed as Exhibit 3.1 to the Company's Registration Statement on Form SB-2 (Registration No. 333-59617), declared effective by the SEC on November 12, 1998 (the "1998 Registration Statement"), and incorporated herein by reference.

3.(i)(b) Certificate of Amendment to the Certificate of Incorporation dated November 27, 2001. Previously filed as Exhibit 3.1.1 to the Company's Registration Statement on Form S-3 (Registration No. 333-81344) declared effective by the SEC on February 12, 2002, and incorporated herein by reference (the "February 2002 Form S-3")

3.(ii) By-laws, as amended. Previously filed as Exhibit 3.2 to the 1998 Registration Statement and incorporated herein by reference.

4.1 Form of Common Stock certificate. Previously filed as Exhibit 4.1 to the 1998 Registration Statement and incorporated herein by reference.

5.1* Opinion of Eiseman Levine Lehrhaupt & Kakoyiannis, P.C.

10.1 Amended and Restated 1996 Stock Option Plan. Previously filed as an attachment to the Company's Proxy Statement filed on May 28, 1999, and incorporated herein by reference.

10.2 Patents Purchase, Assignment and License Agreement, dated November 18, 2003, between the Company and Merlot Communications, Inc. Previously filed as Exhibit 10.10 to the Company's Current Report on Form 8-K filed December 3, 2003 and incorporated herein by reference.

10.3 Master Services Agreement, dated November 30, 2004, between the Company and ThinkFire Services USA, Ltd. Previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed December 2, 2004 and incorporated herein by reference.

10.4 Securities Purchase Agreement, dated December 21, 2004, between Company and the investors. Previously, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed December 28, 2004 and incorporated herein by reference.

10.5 Securities Purchase Agreement, dated January 13, 2005, between the Company and the investors. Previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on January 20, 2005 and incorporated herein by reference.

10.6 Amendment to Patents Purchase, Assignment and License Agreement, dated January 18, 2005, between the Company and Merlot Communications, Inc. Previously filed January 24, 2005 as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 18, 2005 and incorporated herein by reference.

10.7+ Agreement, dated August 4, 2005, between the Company and David C. Kahn. Previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed August 9, 2005 and incorporated herein by reference.

10.8 Agreement, dated August 9, 2005, between the Company and Blank Rome LLP. Previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 11, 2005 and incorporated herein by reference.

II-2

- 10.9 Settlement Agreement, dated November 16, 2005, among the Company, PowerDsine Ltd and PowerDsine, Inc. Previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed November 17, 2005 and incorporated herein by reference.
- 10.10+ Agreement, dated December 20, 2006, between the Company and David C. Kahn, previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed December 22, 2006 and incorporated herein by reference.
- 10.11+ Employment Agreement, dated February 28, 2007, between the Company and Corey M. Horowitz previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 6, 2007 and incorporated herein by reference.
- 10.12 Securities Purchase Agreement, dated April 16, 2007, between the Company and the investors (including exhibits). Previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed April 20, 2007 and incorporated herein by reference.
- 10.13 Settlement Agreement, dated as of May 25, 2007, between the Company and D-Link Corp. and D-Link Systems, Inc., previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on August 21, 2007 and incorporated herein by reference.
- 10.14 Agreement, dated February 8, 2008, between the Company and Dovel & Luner, previously filed on February 13, 2008 as Exhibit 10.1 to the Company's Current Report on Form 8-K and incorporated herein by reference.
- 10.15 Letter Agreement dated June 17, 2008, between the Company and Microsemi Corp-Analog Mixed Signal Group Ltd., previously filed on June 23, 2008 as Exhibit 10.1 to the Company's Current Report on Form 8-K and incorporated herein by reference.
- 10.16 License Agreement, dated August 13, 2008, between the Company and Microsemi Corporation, previously filed on August 15, 2008 as Exhibit 10.1 to the Company's Current Report on Form 8-K and incorporated herein by reference.
- 10.17+ Agreement, dated December 18, 2008, between the Company and David C. Kahn, previously filed on December 19, 2008 as Exhibit 10.1 to the Company's Current Report on Form 8-K and incorporated herein by reference.
- 10.18 Settlement Agreement (including Non-Exclusive Patent License Agreement), dated May 22, 2009, between the Company and Netgear, Inc., previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on May 29, 2009, and incorporated herein by reference.
- 10.19+ Employment Agreement, dated June 8, 2009, between the Company and Corey M. Horowitz, previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 12, 2009, and incorporated herein by reference.
- 10.20 Form of stock option agreement, previously filed as Exhibit 4.1 to the Company's Registration Statement on Form S-8, filed on October 14, 2009 and incorporated herein by reference.
- 10.21 Settlement Agreement between the Company and Cisco Systems, Inc. and Cisco-Linksys, LLC. Portions of the Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to an order granting confidentiality treatment pursuant to Rule 24b-2 of the Securities and Exchange Act of 1934, as

amended. Previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 20, 2010 and incorporated herein by reference.

II-3

- 10.22 Settlement Agreement between the Company and Extreme Networks, Inc. Previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed July 20, 2010 and incorporated herein by reference.
- 10.23 Settlement Agreement between the Company and Foundry Networks, Inc., Enterasys Networks, Inc. and Adtran, Inc. Previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed July 20, 2010 and incorporated herein by reference.
- 10.24 Settlement Agreement between the Company and 3Com Corporation and Hewlett Packard Corporation. Previously filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed July 20, 2010 and incorporated herein by reference.
- 10.25+ Agreement, dated February 3, 2011, between the Company and David C. Kahn. Previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 4, 2011 and incorporated herein by reference.
- 10.26+ Agreement, dated March 16, 2011, between the Company and Corey M. Horowitz, Chairman and Chief Executive Officer. Previously filed as Exhibit 10.1 to the Company's Annual Report on 10-K filed on March 18, 2011 and incorporated herein by reference.
- 10.27 Settlement and License Agreement, among the Company, Corey M. Horowitz, CMH Capital Management Corp. and Cisco Systems, Inc. and Cisco Consumer Products LLC. Portions of the Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to an order granting confidentiality treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. Previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 1, 2011 and incorporated herein by reference.
- 14 Code of Ethics. Previously filed as Exhibit 14 to the Company's Prospectus on Form 10-KSB for the year ended December 31, 2004 filed on April 14, 2004 and incorporated herein by reference.

23.1 *** Consent of Radin Glass Co., LLP, Independent Registered Public Accounting Firm.

23.2 Consent of Eiseman Levine Lehrhaupt & Kakoyiannis, P.C. (included within Exhibit 5.1).

24 Power of Attorney (included in signature page).

101 **Interactive data files (Previously filed as Exhibit 101 to the Company's Annual Report on 10-K filed on March 9, 2012.):

(i) Balance sheets as of December 31, 2011 and 2010;

(ii) Statements of income and comprehensive income for the years ended December 31, 2011 and 2010;

(iii) Statements of changes in stockholders' equity for the years ended December 31, 2011 and 2010;

(iv) Statements of cash flows for the years ended December 31, 2011 and 2010; and

(v) Notes to financial statements

* Filed herewith

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Act of 1934, as amended, and is not otherwise subject to liability

Explanation of Responses:

under these sections.

*** Previously filed.

+ Management contract or compensatory plan or arrangement

II-4

Item 17. Undertakings

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any Prospectus required by Section 10(a)(3) of the Securities Act;

(ii) To reflect in the Prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof), which, individually or together, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of Prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new Registration Statement relating to securities offered therein, and the offering of securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities that remain unsold at the termination of the offering.

(4) That, for purposes of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities:

The undersigned registrant undertakes that in a primary offering of securities of the registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary Prospectus or Prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free-writing Prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free-writing Prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned small business issuer to the purchaser.

(5) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant, pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(6) Each Prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than Prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided that no statement made in a registration statement or Prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or Prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or Prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-1 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York.

NETWORK-1 SECURITY SOLUTIONS, INC.

Dated: April 6 , 2012 By: /s/ Corey M. Horowitz
Corey M. Horowitz, Chairman and Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS, that each director and officer whose signature appears below constitutes and appoints Corey M. Horowitz his true and lawful attorney-in-fact and agent, with full power of substitution and re-substitution, to sign in any and all capacities any and all amendments or post-effective amendments to this Registration Statement on Form S-1 and to file the same with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, granting to such attorney-in-fact and agent, full power and authority to do all such other acts and execute all such other documents as he may deem necessary or desirable in connection with the foregoing, as fully as the undersigned might or could do in person, hereby ratifying and confirming all that such attorney-in-fact and agent may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Corey M. Horowitz Corey M. Horowitz	Chairman and Chief Executive Officer (principal executive officer)	April 6 , 2012