

NETWORK 1 SECURITY SOLUTIONS INC
Form 424B3
May 17, 2006

NETWORK-1 SECURITY SOLUTIONS, INC.

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-126013

PROSPECTUS SUPPLEMENT NO. 9
(To Prospectus dated December 22, 2005)

This is a prospectus supplement to our prospectus dated December 22, 2005 (the "Prospectus") relating to the resale from time to time by selling stockholders of up to 16,886,267 shares of our Common Stock, including shares issuable upon exercise of outstanding warrants and options. On May 16, 2006, we filed with the Securities and Exchange Commission a Current Report on Form 8-K. The text of the Current Report on Form 8-K is attached to and a part of this supplement.

This prospectus supplement should be read in conjunction with the Prospectus and the prior prospectus supplements, and may not be delivered or utilized without the Prospectus and the prior prospectus supplements. This prospectus supplement is qualified by reference to the Prospectus, except to the extent that the information provided by this prospectus supplement supersedes the information contained in the Prospectus.

The securities offered by the Prospectus involve a high degree of risk. You should carefully consider the "Risk Factors" referenced on page 7 of the Prospectus in determining whether to purchase the Common Stock.

The date of this prospectus supplement is May 16, 2006.

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 15, 2006

Network-1 Security Solutions, Inc.

(Exact name of registrant as specified in its charter)

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(State or other jurisdiction (Commission (IRS Employer
of incorporation) File Number) Identification No.)

445 Park Avenue, Suite 1028, New York, New York 10022

(Address of principal executive offices)

Registrant's telephone number, including area code: (212) 829-5700

N/A

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (SEE General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On May 15, 2006, the Company issued a press release announcing its results of operations for the quarter ended March 31, 2006. A copy of the press release is furnished herewith as Exhibit 99.1.

The information contained in this Item 2.02, including Exhibit 99.1 attached hereto, is being furnished and shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. Furthermore, the information contained in this Item 2.02 or Exhibit 99.1 shall not be deemed to be incorporated by reference into any registration statement or other document filed pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

ITEM 9.01 FINANCIAL STATEMENTS ARE EXHIBITS

Exhibit Number	Description
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99.1	Press Release, dated May 15, 2006

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NETWORK-1 SECURITY SOLUTIONS, INC.

Dated: May 16, 2006

By: /s/ Corey M. Horowitz

Name: Corey M. Horowitz
Title: Chairman & Chief Executive
Officer

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EXHIBIT 99.1

FOR IMMEDIATE RELEASE

Corey M. Horowitz, Chairman and CEO

Network-1 Security Solutions, Inc.

(212) 829-5770

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NETWORK-1 REPORTS FIRST QUARTER 2006 RESULTS

NEW YORK, NEW YORK MAY 15, 2006-- Network-1 Security Solutions, Inc. (OTC BB: NSSI) today announced financial results for the quarter ended March 31, 2006. Network-1 reported a net loss of (\$316,000) for the first quarter ended March 31, 2006 as compared to a net loss of (\$731,000) for the first quarter ended March 31, 2005. Included in net loss for the quarter ended March 31, 2005 was an expense of \$500,000 incurred in connection with the Company's payment of additional purchase price for certain patents ("Patents") acquired in November 2003 from Merlot Communications, Inc.

Network-1 had no revenues during the quarter ended March 31, 2006. Net loss attributable to common stockholders for the quarter ended March 31, 2006 was \$(316,000) or \$(0.02) per share as compared to a net loss attributable to common stockholders of (\$737,000) or (\$0.04) per share for the quarter ended March 31, 2005.

During the first quarter ended March 31, 2006 warrants to purchase 1,352,052 shares of common stock were exercised resulting in aggregate proceeds to the Company of \$1,493,726. At March 31, 2006, the Company had approximately \$2,042,000 in cash and cash equivalents which management believes will be sufficient to fund its operations until December 2007.

Network-1's patent infringement litigation against D-Link Systems Inc. and its corporate parent D-Link Corporation, Inc. of Taiwan involving the Company's Remote Power Patent is proceeding on a timely basis in the United States District Court for the Eastern District of Texas, Tyler Division. At a case management conference held during the first quarter, Judge Leonard Davis set a Markman hearing date on claim construction for September 19, 2006 and set a trial date of March 7, 2007.

"We are pleased with the progress of our litigation in Texas", commented Corey M. Horowitz, Chairman and CEO of Network-1. "It is important to recognize that the Markman hearing will be a significant event as we proceed to trial in March, 2007. While the outcome of the litigation is still uncertain, we have taken all the necessary steps to ensure that our case will proceed in a timely manner and that we have the capital required to protect our intellectual property."

The Remote Power Patent relates to, among other things, the delivery of power over Ethernet cables in order to remotely power network connected devices including, among others, wireless switches, wireless access points, RFID card readers, VOIP telephones and network cameras. In June 2003, the Institute of Electrical and Electronic Engineers (IEEE) approved the IEEE 802.3af Power over Ethernet ("PoE") standard (the "Standard") which has led to the rapid adoption of PoE. According to industry analysts, annual revenues for several of the markets adopting this technology each exceed or are projected to exceed \$1 billion.

ABOUT NETWORK-1 SECURITY SOLUTIONS, INC.

Network-1 Security Solutions, Inc. is engaged in the acquisition, development, licensing and protection of its intellectual property and proprietary technologies. It currently owns six patents covering various telecommunications and data networking technologies and is currently focusing its licensing efforts on its Remote Power Patent (U.S. Patent No. 6,218,930) covering the remote delivery of power over Ethernet networks. The Remote Power Patent was granted by

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the U.S. Office of Patents and Trademarks on April 17, 2001 and expires on March 7, 2020.

THIS RELEASE CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THESE STATEMENTS ADDRESS FUTURE EVENTS AND CONDITIONS CONCERNING THE COMPANY'S BUSINESS PLANS. SUCH STATEMENTS ARE SUBJECT TO A NUMBER OF RISK FACTORS AND UNCERTAINTIES AS DISCLOSED IN THE COMPANY'S QUARTERLY REPORT ON FORM 10-QSB FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2006 INCLUDING, AMONG OTHERS, THE ABILITY OF NETWORK-1 TO OBTAIN LICENSE AGREEMENTS FROM THIRD PARTIES FOR ITS PATENT PORTFOLIO, UNCERTAINTY OF PATENT LITIGATION, THE COMPANY'S ABILITY TO ACHIEVE REVENUES AND PROFITS FROM ITS PATENT PORTFOLIO, THE COMPANY'S ABILITY TO RAISE CAPITAL WHEN NEEDED, FUTURE ECONOMIC CONDITIONS AND TECHNOLOGY CHANGES AND LEGISLATIVE, REGULATORY AND COMPETITIVE DEVELOPMENTS. EXCEPT AS OTHERWISE REQUIRED TO BE DISCLOSED IN PERIODIC REPORTS, THE COMPANY EXPRESSLY DISCLAIMS ANY FUTURE OBLIGATION OR UNDERTAKING TO UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENT CONTAINED HEREIN.

INVESTOR CONTACT:

Alliance Advisors, LLC
 Alan Sheinwald, 914-244-0062
 asheinwald@allianceadvisors.net

The condensed statements of operations and condensed balance sheets are attached.

Network-1 Security Solutions, Inc. CONDENSED STATEMENTS OF OPERATIONS

	Quarter Ended March 31,	
	2006	2005
Total operating expenses	\$ 328,000	\$ 738,000
Net loss	\$ (316,000)	\$ (731,000)
Net Loss attributable to common stockholders	\$ (316,000)	\$ (737,000)
Per Common Share - Basic and Diluted		
Net Loss available to common stockholders	\$ (0.02)	\$ (0.04)
Weighted average number of shares outstanding - basic and diluted	17,832,787	17,617,572

CONDENSED BALANCE SHEET AS OF 3/31/06

Cash and cash equivalents	\$2,042,000
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Total current assets	\$2,104,000 =====
Total assets	\$2,194,000 =====
Total current liabilities	\$ 216,000 =====
Total long term liabilities	\$ -0- =====
Total stockholders' equity	\$1,978,000 =====