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Network-1 Reports Record First Quarter 2011 Results

NEW YORK, May 18, 2011 /PRNewswire/ -- Network-1 Security Solutions, Inc. (OTC BB: NSSI) today announced financial results for the quarter ended March 31, 2011.

Network-1 had revenue of \$3,576,000 for the quarter March 31, 2011 as compared with revenue of \$118,000 for the quarter ended March 31, 2010.

Revenues for the quarter ended March 31, 2011 include royalty revenue of \$3,412,000 received from Cisco Systems, Inc. and Cisco-Linksys, LLC, (collectively, "Cisco") pursuant to the terms of the Settlement Agreement entered into as part of the settlement of patent litigation in July 2010. Due to Network-1's annual royalty rate structure with Cisco, which includes declining rates as the volume of licensed product sales increase during the year, Network-1 anticipates that the first quarter royalty revenue from Cisco is likely to be higher than each of the remaining quarters of each year.

Network-1 reported net income of \$1,666,000 or \$0.06 per share (\$.05 per share on a diluted basis) for the three months ended March 31, 2011 as compared to a net loss of (\$658,000) or \$(0.03) per share for the three months ended March 31, 2010. Included in the expenses for the quarter ended March 31, 2011 and March 31, 2010 were non-cash compensation expenses of \$96,000 and \$47,000, respectively.

"It was a significant quarter for Network-1," commented Corey M. Horowitz, Chairman and CEO of Network-1. "Our royalty revenue from our Remote Power Patent for the quarter were the largest to date and we now have 11 licensees to this important technology, including some of the largest technology companies in the world," he continued.

On July 19, 2010, Network-1 announced that it agreed to settle its patent litigation against Adtran, Inc, Cisco, Enterasys Networks, Inc., Extreme Networks, Inc., Foundry Networks, Inc., and 3Com Corporation, Inc., pending in the United States District Court for the Eastern District of Texas, Tyler Division, for infringement of the Network-1's Remote Power Patent, U.S. Patent No. 6,218,931 ("Remote Power Patent"). As part of the settlement, Adtran, Cisco, Enterasys, Extreme Networks and Foundry Networks each entered into a settlement agreement with Network-1 and agreed to enter into non-exclusive licenses for the Remote Power Patent (the "Licensed Defendants"). Under the terms of the licenses, the Licensed Defendants paid to Network-1 an aggregate upfront payment of approximately \$32 million and have also agreed to license the Remote Power Patent for its full term, which expires in March 2020.

In addition, Cisco agreed to pay royalties (beginning in 2011) to Network-1 based on its sales of Power over Ethernet 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

Network-1's Remote Power Patent, and the actual amounts received may be less than the caps stated above.

The settlement with 3Com provided for a dismissal of the litigation without prejudice. The release covers sales of certain 3Com Power over Ethernet products sold through the date of the settlement. In addition, Network-1 and 3Com's parent, Hewlett Packard Corporation, agreed that the dismissal does not apply to Hewlett-Packard Power over Ethernet products and that any future litigation involving Network-1 and Hewlett Packard concerning the Remote Power Patent will be in the United States District Court for the Eastern District of Texas. For additional details of the July 2010 patent litigation settlement, please see Network-1's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 20, 2010.

Consistent with its activities over the past several years, Network-1 plans on continuing its licensing activities relating to the Remote Power Patent. Such licensing activities may require the expenditure of cash to support the licensing and enforcement of the Remote Power Patent. In addition, Network-1 may acquire additional intellectual property assets in the future to develop, commercialize, license or otherwise monetize such intellectual property. In this regard, Network-1 continually reviews opportunities to acquire or license additional intellectual property for the purpose of pursuing licensing opportunities related to its existing intellectual property portfolio or otherwise. Network-1 may also enter into strategic relationships with third parties to develop, commercialize, license or otherwise monetize their intellectual property. The form of such relationships may vary depending upon the opportunity and may include, among other things, a strategic investment in such third party or the formation of a joint venture for the purpose of monetizing such third party's intellectual property assets.

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 the U.S. Office of Patents and Trademarks on April 21, 2001 and expires on March 11, 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 Network-1's business plans. Such statements are subject to a number of risk factors and uncertainties as disclosed in the Network-1's Annual Report on Form 10-K for the year ended December 31, 2010 including, among others, the ability of Network-1 to enter into additional license agreements with third parties for its intellectual property or the intellectual property of its strategic partners, the ability of Network-1 to receive significant royalties from its existing license agreements, the uncertainty of patent litigation, Network-1's ability to achieve revenues and profits from its intellectual property or the intellectual property of its strategic partners, Network-1's ability to execute its strategy to acquire additional patents or enter into strategic relationships with third parties to license or otherwise monetize their intellectual property, the continued viability of the PoE market, future economic conditions and technology changes and

legislative, regulatory and competitive developments. Except as otherwise required to be disclosed in periodic reports, Network-1 expressly disclaims any future obligation or undertaking to update or revise any forward-looking statement contained herein.

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

	Three Months Ended March 31,	
	2011	2010
Royalty Revenue	\$ 3,576,000	\$ 118,000
Cost of Revenue	1,028,000	6,000
Gross Profit	2,548,000	112,000
Operating Expenses:		
General and administrative	746,000	\$723,000
Non-cash compensation	96,000	47,000
Total Operating Expenses	842,000	771,000
Operating Income (Loss)	1,706,000	(658,000)
Other Income (Expenses):		
Interest income, net	16,000	—
Income (Loss) before income taxes	1,722,000	(658,000)
Income Taxes	56,000	—
Net Income (Loss)	\$ 1,666,000	\$ (658,000)
Net Income (loss) per share - Basic	\$ 0.06	\$ (0.03)

- Fully Diluted	\$ 0.05	\$ (0.03)
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Weighted average number of common shares outstanding:

- Basic	25,948,879	24,135,557
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- Fully Diluted	31,242,670	24,135,557
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Condensed Balance Sheet as of March 31, 2011

Cash and cash equivalents	\$ 19,587,000
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Total current assets	\$ 24,385,000
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Total assets	\$ 24,472,000
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Total current liabilities	\$ 2,000,000
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Total long term liabilities	\$ - 0 -
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Total stockholders' equity	\$ 21,472,000
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Corey M. Horowitz, Chairman and CEO

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SOURCE Network-1 Security Solutions, Inc.