

May 15, 2012

network

1

## Network-1 Reports Record First Quarter 2012 Results

NEW YORK, May 15, 2012 /PRNewswire/ -- Network-1 Security Solutions, Inc. (OTC BB: NSSI) today announced financial results for the quarter ended March 31, 2012.

Network-1 had revenue of \$4,425,000 for the quarter March 31, 2012 as compared with revenue of \$3,576,000 for the quarter ended March 31, 2011. The increase of \$849,000 or 24% in revenue for the three months ended March 31, 2012 was primarily due to the addition of license initiation fees and royalties from two new licensees achieved from settlements with respect to the Network-1's pending patent infringement litigation and increased royalties from existing licensees.

Network-1 reported net income of \$1,923,000 or \$0.08 per share (\$0.07 per share on a diluted basis) for the three months ended March 31, 2012 as compared \$1,666,000 or \$0.06 per share (\$0.05 per share on a diluted basis) for the three months ended March 31, 2011. Included in the expenses for the quarter ended March 31, 2012 and March 31, 2011 were non-cash compensation expenses of \$91,000 and \$96,000, respectively.

At March 31, 2012, Network-1 had net operating loss carryforwards (NOLs) totaling approximately \$25,800,000 expiring through 2031, with a future tax benefit of approximately \$9,600,000. During the second quarter of 2011, as a result of Network-1's financial 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, income tax benefit. Accordingly, at March 31, 2012, \$6,483,000 has been recorded as a deferred tax benefit on Network-1's balance sheet. During the three month period ended March 31, 2012 as a result of income (before taxes) for the period of \$2,367,000, \$444,000 was recorded as income tax expense and the deferred tax asset was reduced by \$420,000 to \$6,483,000. To the extent that Network-1 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.

At March 31, 2012, the Company's principal sources of liquidity consisted of cash and cash equivalents of approximately \$20 million and working capital of approximately \$22,443,000.

In September 2011, Network-1 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 our 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, Inc., 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.

In March 2012, Network-1 reached settlement agreements with defendants Motorola Solutions, Inc. ("Motorola") and Transition Networks, Inc. ("Transition Networks"). As part of the settlements, Motorola and Transition Networks each entered into a non-exclusive license agreement for Network-1's Remote Power Patent pursuant to which each such defendant agreed to license the Remote Power Patent for its full term (which expires in March 2020) and pay a license initiation fee and quarterly royalties based on their sales of PoE products.

"It was another very strong quarter for Network-1," commented Corey M. Horowitz, Chairman and CEO of Network-1. "Our royalty revenues from our Remote Power Patent for the quarter were the largest since our July 2010 litigation settlement and we now have 13 licensees to this important technology, including some of the largest technology companies in the world," he continued.

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. In addition, Network-1 seeks to acquire additional intellectual property assets and enter into strategic relationships with third parties to monetize their intellectual property assets.

*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, 2011 including, among others, the continued validity of Network-1's Remote Power Patent, 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,	
	<u>2012</u>	<u>2011</u>
ROYALTY REVENUE	\$ 4,425,000	\$ 3,576,000
COST OF REVENUE	<u>1,386,000</u>	<u>1,028,000</u>
GROSS PROFIT	<u>3,039,000</u>	<u>2,548,000</u>
OPERATING EXPENSES:		
General and administrative	590,000	746,000
Non-cash compensation	<u>91,000</u>	<u>96,000</u>
TOTAL OPERATING EXPENSES	<u>681,000</u>	<u>842,000</u>
OPERATING INCOME	2,358,000	1,706,000
OTHER INCOME (EXPENSES):		
Interest income, net	<u>9,000</u>	<u>16,000</u>
INCOME BEFORE INCOME TAXES	<u>2,367,000</u>	<u>1,722,000</u>
INCOME TAXES (BENEFIT)		
Current	24,000	56,000
Deferred	<u>420,000</u>	—
Total Income Taxes (Benefits)	<u>444,000</u>	<u>56,000</u>
NET INCOME	<u>\$ 1,923,000</u>	<u>1,666,000</u>
Net Income per share		
Basic	<u>\$ 0.08</u>	<u>\$ 0.06</u>
Diluted	<u>\$ 0.07</u>	<u>\$ 0.05</u>
Weighted average number of common shares outstanding:		
Basic	<u>25,549,328</u>	<u>25,948,879</u>
Diluted	<u>29,063,017</u>	<u>31,242,670</u>

NET INCOME	\$ 1,923,000	\$1,666,000
OTHER COMPREHENSIVE INCOME NET OF TAX:		
Unrealized gain (loss) arising during the period	<u>(1,000)</u>	=
COMPREHENSIVE INCOME	<u>\$ 1,922,000</u>	<u>\$1,666,000</u>

### Condensed Balance Sheet as of March 31, 2012

Cash and cash equivalents	<u>\$ 19,996,000</u>
Total current assets	<u>\$ 25,025,000</u>
Total assets	<u>\$ 31,599,000</u>
Total current liabilities	<u>\$ 2,582,000</u>
Total long term liabilities	<u>\$ -0-</u>
Total stockholders' equity	<u>\$29,017,000</u>

Corey M. Horowitz, Chairman and CEO  
Network-1 Security Solutions, Inc.  
(212) 829-5770

SOURCE Network-1 Security Solutions, Inc.