

AUERBACH JONATHAN A G  
 Form 4  
 December 08, 2010

**FORM 4** UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**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 \*  
 Hound Partners, LLC

2. Issuer Name and Ticker or Trading Symbol  
 NETWORK 1 SECURITY SOLUTIONS INC [NSSI]

5. Relationship of Reporting Person(s) to Issuer  
 (Check all applicable)

(Last) (First) (Middle)  
 101 PARK AVENUE, 48TH FLOOR  
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)  
 12/06/2010

\_\_\_ Director \_\_\_X\_\_\_ 10% Owner  
 \_\_\_ Officer (give title below) \_\_\_ Other (specify below)

NEW YORK, NY 10178

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

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

(City) (State) (Zip)

**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  | (A) or (D)   | Price                             |             |  |
| Common Stock \$.01 par value per share | 12/06/2010                           | 12/06/2010   | S                              |   | 2,019   | D  | \$ 1.75                           | 702,900 I   | By Hound Partners, LP <u>(1)</u>               |
| Common Stock \$.01 par value per share | 12/06/2010                           | 12/06/2010   | S                              |   | 2,353   | D  | \$ 1.75                           | 1,032,597 I | By Hound Partners Offshore Fund, LP <u>(2)</u> |
| Common Stock \$.01                     | 12/06/2010                           | 12/06/2010   | S                              |   | 628   | D  | \$ 1.75                           | 188,739 I   | By Hound Partners,                             |

|   |            |            |   |       |   |            |           |   |  |
|---|------------|------------|---|-------|---|------------|-----------|---|--|
| par value<br>per share                          |            |            |   |       |   |            |           |   | LLC <sup>(3)</sup>   |
| Common<br>Stock \$.01<br>par value<br>per share | 12/07/2010 | 12/07/2010 | S | 5,331 | D | \$<br>1.75 | 697,569   | I | By Hound<br>Partners,<br>LP <sup>(1)</sup>                     |
| Common<br>Stock \$.01<br>par value<br>per share | 12/07/2010 | 12/07/2010 | S | 6,211 | D | \$<br>1.75 | 1,026,386 | I | By Hound<br>Partners<br>Offshore<br>Fund, LP<br><sup>(2)</sup> |
| Common<br>Stock \$.01<br>par value<br>per share | 12/07/2010 | 12/07/2010 | S | 1,658 | D | \$<br>1.75 | 187,081   | I | By Hound<br>Partners,<br>LLC <sup>(3)</sup>                    |

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

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(9-02)

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

| 1. Title of<br>Derivative<br>Security<br>(Instr. 3) | 2. Conversion<br>or Exercise<br>Price of<br>Derivative<br>Security | 3. Transaction Date<br>(Month/Day/Year) | 3A. Deemed<br>Execution Date, if<br>any<br>(Month/Day/Year) | 4. Transaction<br>Code<br>(Instr. 8) | 5. Number<br>of<br>Derivative<br>Securities<br>Acquired<br>(A) or<br>Disposed<br>of (D)<br>(Instr. 3,<br>4, and 5) | 6. Date Exercisable and<br>Expiration Date<br>(Month/Day/Year) | 7. Title and<br>Amount of<br>Underlying<br>Securities<br>(Instr. 3 and 4) | 8. Price of<br>Derivative<br>Security<br>(Instr. 5) | 9. Nu<br>Deriv<br>Secur<br>Bene<br>Own<br>Follo<br>Repo<br>Trans<br>(Instr |
|---|--|---|---|--------------------------------------|--|--|---|---|--|
|   |  |   |   |                                      |  | Date<br>Exercisable  | Expiration<br>Date  | Title   | Amount<br>or<br>Number<br>of<br>Shares                                     |
|   |  |   |   |                                      |  | Code   | V   | (A)   | (D)  |

## Reporting Owners

| Reporting Owner Name / Address                       | Relationships |           |         |       |
|--|---------------|-----------|---------|-------|
|  | Director      | 10% Owner | Officer | Other |
| Hound Partners, LLC<br>101 PARK AVENUE<br>48TH FLOOR |               | X         |         |       |

NEW YORK, NY 10178

Hound Performance, LLC  
101 PARK AVENUE  
48TH FLOOR  
NEW YORK, NY 10178

X

AUERBACH JONATHAN A G  
101 PARK AVENUE  
48TH FLOOR  
NEW YORK, NY 10178

X

## Signatures

Hound Partners, LLC, By: /s/ Jonathan Auerbach, Managing Member

12/08/2010

\_\_Signature of Reporting Person

Date

Hound Performance, LLC, By: /s/ Jonathan Auerbach, Managing Member

12/08/2010

\_\_Signature of Reporting Person

Date

/s/ Jonathan Auerbach

12/08/2010

\_\_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).

The securities may be deemed to be beneficially owned by (a) Hound Performance, LLC, the general partner of Hound Partners, LP; (b) Hound Partners, LLC, the investment manager of Hound Partners, LP and (c) Jonathan Auerbach, the managing member of Hound

(1) Performance, LLC and Hound Partners, LLC. Each Reporting Person disclaims beneficial ownership in the securities reported on this Form 4 except to the extent of his or its pecuniary interest, if any, therein, and this report shall not be deemed to be an admission that such Reporting Person is the beneficial owner of such securities for purposes of Section 16 or for any other purpose.

The securities may be deemed to be beneficially owned by (a) Hound Performance, LLC, the general partner of Hound Partners Offshore Fund, LP; (b) Hound Partners, LLC, the investment manager of Hound Partners Offshore Fund, LP and (c) Jonathan Auerbach, the

(2) managing member of Hound Performance, LLC and Hound Partners, LLC. Each Reporting Person disclaims beneficial ownership in the securities reported on this Form 4 except to the extent of his or its pecuniary interest, if any, therein, and this report shall not be deemed to be an admission that such Reporting Person is the beneficial owner of such securities for purposes of Section 16 or for any other purpose.

The securities may be deemed to be beneficially owned by (a) Hound Partners, LLC; (b) a separately managed account managed by Hound Partners, LLC and (c) Jonathan Auerbach, the managing member of Hound Partners, LLC. Each Reporting Person disclaims

(3) beneficial ownership in the securities reported on this Form 4 except to the extent of his or its pecuniary interest, if any, therein, and this report shall not be deemed to be an admission that such Reporting Person is the beneficial owner of such securities for purposes of Section 16 or for any other purpose.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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