

AUERBACH JONATHAN A G
Form 4
January 25, 2011

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)
01/20/2011

____ Director
____ Officer (give title below)
 10% Owner
____ 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
 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 | | 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 | 01/20/2011 | 01/20/2011 | S | | 35,884 | D | \$ 1.6 | 1,488,611 | I | By Hound Partners Offshore Fund, LP ⁽¹⁾ |
| Common stock \$.01 par value per share | 01/20/2011 | 01/20/2011 | S | | 5,016 | D | \$ 1.6 | 153,872 | I | By Hound Partners, LLC ⁽²⁾ |
| Common stock \$.01 | 01/24/2011 | 01/24/2011 | S | | 45,052 | D | \$ 1.6 | 1,443,559 | I | By Hound Partners |

| | | | | | | | | | |
|---|------------|------------|---|-------|---|-----------|---------|---|---|
| par value per share | | | | | | | | | Offshore Fund, LP <u>(1)</u> |
| Common stock \$.01 par value per share | 01/24/2011 | 01/24/2011 | S | 6,318 | D | \$ 1.6 | 147,554 | I | By Hound Partners, LLC <u>(2)</u> |

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

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

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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 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) | 8. Price of Derivative Security (Instr. 5) | 9. Nu Deriv Secur Bene Own Follo Repor Trans (Instr |
|---|--|---|---|--------------------------------------|--|--|---|---|---|
| | | | | | | Date Exercisable | Expiration Date | Title | Amount or Number of Shares |
| | | | | | | Code | V | (A) | (D) |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---------------|-----------|---------|-------|
| | Director | 10% Owner | Officer | Other |
| Hound Partners, LLC 101 PARK AVENUE 48TH FLOOR NEW YORK, NY 10178 | | X | | |
| Hound Performance, LLC 101 PARK AVENUE 48TH FLOOR NEW YORK, NY 10178 | | X | | |
| AUERBACH JONATHAN A G 101 PARK AVENUE 48TH FLOOR | | X | | |

NEW YORK, NY 10178

Signatures

Hound Partners, LLC, By: /s/ Jonathan Auerbach, Managing Member 01/25/2011

__Signature of Reporting Person Date

Hound Performance, LLC, By: /s/ Jonathan Auerbach, Managing Member 01/25/2011

__Signature of Reporting Person Date

/s/ Jonathan Auerbach 01/25/2011

__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).

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
(1) 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
(2) 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.

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.