

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

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SCHEDULE 13D  
(Rule 13d-101)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT  
TO RULE 13d-1(a) AND AMENDMENTS THERETO FILED PURSUANT TO  
RULE 13d-2(a)

(Amendment No. )1

Network-1 Security Solutions, Inc.

-----  
(Name of Issuer)

Common Stock, \$.01 Par Value

-----  
(Title of Class of Securities)

64121N 10 9

-----  
(CUSIP Number)

SAM SCHWARTZ, ESQ.  
OLSHAN GRUNDMAN FROME ROSENZWEIG & WOLOSKY LLP  
505 Park Avenue  
New York, New York 10022  
(212) 753-7200

-----  
(Name, Address and Telephone Number of Person  
Authorized to Receive Notices and Communications)

November 18, 2003

-----  
(Date of Event Which Requires Filing of This Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), 13d-1(f) or 13d-1(g), check the following box / /.

Note. Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7 for other parties to whom copies are to be sent.

(Continued on following pages)

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1 The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

1	NAME OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)	
	Corey M. Horowitz	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*	(a) // (b) //
3	SEC USE ONLY	
4	SOURCE OF FUNDS* PF, AF, OO	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) //	
6	CITIZENSHIP OR PLACE OF ORGANIZATION  USA	
	NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7 SOLE VOTING POWER  3,833,252 (1)
	8 SHARED VOTING POWER	74,573 (2)
	9 SOLE DISPOSITIVE POWER	3,833,252 (1)
	10 SHARED DISPOSITIVE POWER	74,573 (2)
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  3,907,825 (1)(2)	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* //	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  33.8%	
14	TYPE OF REPORTING PERSON*  IN	

\*SEE INSTRUCTIONS BEFORE FILLING OUT!

(1) Includes (a)(i) 486,303 shares of Common Stock, (ii) 85,220 shares of Common Stock issuable upon exercise of warrants and (iii) 42,500

shares of Common Stock issuable upon exercise of options, all of which are held by Mr. Horowitz and (b)(i) 155,463 shares of Common Stock, (ii) 643,896 shares of Common Stock issuable upon exercise of warrants, (iii) 250,000 shares of Common Stock issuable upon exercise of options and (iv) 2,169,870 shares of Common Stock issuable upon conversion of 1,084,935 shares of Series E Convertible Preferred Stock, all of which are held by CMH Capital Management Corp.

- (2) Includes (a)(i) 1,528 shares of Common Stock and (ii) 70,754 shares of Common Stock issuable upon conversion of 35,377 shares of Series E Convertible Preferred Stock, all of which are held by Donna Slavitt, Mr. Horowitz's spouse and (b) 2,291 shares of Common Stock held by Horowitz Partners, a general partnership of which Mr. Horowitz is a partner. Mr. Horowitz disclaims beneficial ownership of the shares held by Horowitz Partners except to the extent of his pecuniary interest therein.

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1 NAME OF REPORTING PERSONS

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

CMH Capital Management Corp.

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2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* (a) //  
(b) //

-----

3 SEC USE ONLY

-----

4 SOURCE OF FUNDS\*  
WC

-----

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED  
PURSUANT TO ITEM 2(d) OR 2(e) //

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6 CITIZENSHIP OR PLACE OF ORGANIZATION

New York

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NUMBER OF 7 SOLE VOTING POWER  
SHARES  
BENEFICIALLY -0-  
OWNED BY  
EACH  
REPORTING  
PERSON WITH -----

8 SHARED VOTING POWER

3,219,229 (1)

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9 SOLE DISPOSITIVE POWER

-0-

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10 SHARED DISPOSITIVE POWER

3,219,229 (1)

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11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING  
PERSON

3,219,229 (1)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES  
CERTAIN SHARES\* //

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  
28.3%

14 TYPE OF REPORTING PERSON\*  
CO

\*SEE INSTRUCTIONS BEFORE FILLING OUT!

- (1) Includes (i) 155,463 shares of Common Stock, (ii) 643,896 shares of Common Stock issuable upon exercise of warrants, (iii) 250,000 shares of Common Stock issuable upon exercise of options and (iv) 2,169,870 shares of Common Stock issuable upon conversion of 1,084,935 shares of Series E Convertible Preferred Stock.

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The following constitutes the Schedule 13D filed by the undersigned (the "Schedule 13D").

Item 1. Security and Issuer.

This statement relates to shares of the Common Stock, par value \$.01 per share (the "Shares"), of Network-1 Security Solutions, Inc. (the "Issuer"). The principal executive offices of the Issuer are located at 445 Park Avenue, Suite 1028, New York, New York 10022.

Item 2. Identity and Background.

(a) This statement is filed by Corey M. Horowitz and CMH Capital Management Corp., a New York corporation ("CMH"). Each of the foregoing is referred to as a "Reporting Person" and collectively as the "Reporting Persons."

Mr. Horowitz is the Chairman of the Board of Directors of the Issuer and CMH has a consulting arrangement with the Issuer pursuant to which it has received and continues to receive consulting fees of \$17,500 a month and reimbursement of certain expenses.

Mr. Horowitz is the sole stockholder, officer and director of CMH. By virtue of his position with CMH, Mr. Horowitz has the power to vote and dispose of the Issuer's Shares owned by CMH. Accordingly, the Reporting Persons are hereby filing a joint Schedule 13D.

(b) The principal business address of each Reporting Person is 445 Park Avenue, Suite 1028, New York, New York 10022.

(c) The principal occupation and business of Mr. Horowitz and CMH is private and public investments and financial advisory and consulting services.

(d) No Reporting Person has, during the last five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

(e) No Reporting Person has, during the last five years, been party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or

mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

(f) Mr. Horowitz is a citizen of the United States of America.

Item 3. Source and Amount of Funds or Other Consideration.

On November 18, 2003, CMH purchased 1,084,935 shares of Series E Convertible Preferred Stock of the Issuer from FalconStor Software, Inc. pursuant to a securities purchase agreement (the "Securities Purchase Agreement") for an aggregate purchase price of \$35,000. CMH acquired such shares of Series E Convertible Preferred Stock with its working capital.

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The warrants and options reported in this Schedule 13D were granted to the Reporting Persons in consideration for services rendered to the Issuer. The Shares currently held by the Reporting Persons were purchased in private transactions using personal funds or working capital, as applicable.

The aggregate purchase price of the 70,754 Shares issuable upon conversion of 35,377 shares of Series E Convertible Preferred Stock owned by Donna Slavitt, Mr. Horowitz's spouse, is \$75,000. The Shares owned by Ms. Slavitt were acquired with personal funds.

Item 4. Purpose of Transaction.

The Shares reported owned in this Schedule 13D were acquired for investment purposes. Depending upon overall market conditions, other investment opportunities available to the Reporting Persons, and the availability of Shares at prices that would make the purchase of additional Shares desirable, the Reporting Persons may endeavor to increase their position in the Issuer through, among other things, the purchase of Shares on the open market or in private transactions or otherwise, on such terms and at such times as the Reporting Persons may deem advisable. No Reporting Person has any present plan or proposal which would relate to or result in any of the matters set forth in subparagraphs (a) - (j) of Item 4 of Schedule 13D except as set forth herein or such as would occur upon completion of any of the actions discussed above.

Item 5. Interest in Securities of the Issuer.

(a) The following list sets forth the aggregate number and percentage (based on 8,314,458 Shares outstanding as reported in the Issuer's Form 10-Q for the quarter ended September 30, 2003) of Shares beneficially owned by each Reporting Person, as of November 26, 2003:

Name	Shares of Common Stock Beneficially Owned	Percentage of Shares of Common Stock Beneficially Owned
Corey M. Horowitz	3,907,825 (1)	33.8%
CMH Capital Management Corp.	3,219,229 (2)	28.3%

(1) Includes (a)(i) 486,303 Shares, (ii) 85,220 Shares issuable upon exercise of Warrants and (iii) 42,500 Shares issuable upon exercise of options, all of which are held by Mr. Horowitz, (b)(i) 155,463 Shares, (ii) 643,896 Shares issuable upon exercise of warrants, (iii) 250,000 Shares issuable upon exercise of options and (iv) 2,169,870 Shares issuable upon conversion of 1,084,935 shares of Series E Convertible Preferred Stock, all of which are held by CMH

Capital Management Corp., (c)(i) 1,528 Shares and (ii) 70,754 Shares issuable upon conversion of 35,377 shares of Series E Convertible Preferred Stock, all of which are held by Donna Slavitt and (d) 2,291 Shares held by Horowitz Partners. Mr. Horowitz disclaims beneficial ownership of the Shares held by Horowitz Partners, except to the extent of his pecuniary interest therein.

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(2) Includes (i) 155,463 Shares, (ii) 643,896 Shares issuable upon exercise of warrants, (iii) 250,000 Shares issuable upon exercise of options and (iv) 2,169,870 Shares issuable upon conversion of 1,084,935 shares of Series E Convertible Preferred Stock.

(b) Mr. Horowitz has sole power to vote and dispose of 3,833,252 Shares (consisting of the 614,023 Shares beneficially owned by him, constituting approximately 7.3% of the Shares outstanding and, by virtue of his position as sole stockholder, officer and director of CMH, of the 3,219,229 Shares beneficially owned by CMH, constituting approximately 28.3% of the Shares outstanding), constituting approximately 33.3% of the Shares outstanding.

By virtue of being her spouse, Mr. Horowitz may be deemed to have shared power to vote and dispose of the 72,282 Shares beneficially owned by Donna Slavitt, constituting less than 1% of the Shares outstanding. Ms. Slavitt resides at 1085 Park Avenue, New York, New York 10128. She is the president of World Packaging Corp., a manufacturer and distributor of promotional and licensed products. Ms. Slavitt has not, in the last five years, been convicted in a criminal proceeding or a party to a civil proceeding as described in Items 2(d) and (e). Ms. Slavitt is a citizen of the United States of America.

By virtue of his position as a partner of Horowitz Partners ("HP"), Mr. Horowitz may be deemed to have shared power to vote and dispose of the 2,291 Shares beneficially owned by HP, constituting less than 1% of the Shares outstanding. HP is a general partnership with an address at 445 Park Avenue, Suite 1028, New York, New York 10022. HP's principal business is investments and it has not, in the last five years, been convicted in a criminal proceeding or a party to a civil proceeding as described in Items 2(d) and (e). The other partners of HP are Mr. Horowitz's mother, Syd Horowitz, his brother, Gary Horowitz and his sister, Cindy Horowitz (the "Partners"). Syd Horowitz resides at 56 Field Lane, Roslyn Heights, New York 11577 and is retired. Gary Horowitz resides at 41 Lowell Drive, Stow, Massachusetts 01775 and his principal occupation is a clinical pathologist. Cindy Horowitz resides at 173 West 78th Street, New York, New York 10024 and her principal occupation is an elementary school teacher. None of the Partners have, in the last five years, been convicted in a criminal proceeding or a party to a civil proceeding as described in Items 2(d) and (e). The Partners are all citizens of the United States of America.

CMH has sole power to vote and dispose of 3,219,229 Shares, constituting approximately 28.3% of the Shares outstanding.

(c) On November 18, 2003, CMH purchased, in a private transaction, 1,084,935 shares of Series E Convertible Preferred Stock of the Issuer, convertible into 2,169,870 Shares, for an aggregate purchase price of \$35,000. Reference is made to the Securities Purchase Agreement which is filed as an exhibit hereto and incorporated herein by reference. There were no other transactions in the securities of the Issuer by the Reporting Persons during the past sixty days.

(d) No person other than the Reporting Persons is known to have the right to receive, or the power to direct the receipt of dividends from, or proceeds from the sale of, the Shares.

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(e) Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships  
With Respect to Securities of the Issuer.

Other than as described herein, there are no contracts, arrangements, understandings or relationships among the Reporting Persons, or between the Reporting Persons and any other person, with respect to the securities of the Issuer.

Item 7. Material to be Filed as Exhibits.

1. Securities Purchase Agreement by and between CMH Capital Management Corp. and FalconStor Software, Inc., dated November 18, 2003.
2. Joint Filing Agreement by and between Corey M. Horowitz and CMH Capital Management Corp., dated November 26, 2003.

SIGNATURES

After reasonable inquiry and to the best of his knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: November 26, 2003

/s/ Corey M. Horowitz

Corey M. Horowitz

CMH CAPITAL MANAGEMENT CORP.

By: /s/ Corey M. Horowitz

Corey M. Horowitz  
President

EXHIBIT INDEX  
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1. Securities Purchase Agreement by and between CMH Capital Management Corp. and FalconStor Software, Inc., dated November 18, 2003.	11-19
2. Joint Filing Agreement by and between Corey M. Horowitz and CMH Capital Management Corp., dated November 26, 2003.	20

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Exhibit 1

SECURITIES PURCHASE AGREEMENT

THIS SECURITIES PURCHASE AGREEMENT (this "Agreement"), is effective as of November 18, 2003, by and between CMH Capital Management Corp. a Delaware corporation ("Purchaser"), and FALCONSTOR Software, Inc., a Delaware corporation ("Seller").

RECITALS

A. Seller is the owner of 1,084,935 shares of the Series E Preferred Stock (the "Series E Preferred") and warrants to purchase 500,000 shares of common stock (the "Warrants" and together with the Series E Preferred, the "Securities") of Network-1 Security Solutions, Inc., a Delaware corporation ("Network-1").

B. Subject to the terms and conditions hereof, Seller desires to sell to Purchaser, and Purchaser desires to acquire from Seller, the Series E Preferred.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter contained and other valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereby agree as follows:

1. SALE AND PURCHASE OF SECURITIES. Subject to Purchaser's and Seller's warranties and representations set forth herein, and contingent upon the executing by Network-1 of the Release attached hereto as Exhibit A, Seller hereby sells, assigns, transfers, conveys and delivers the Series E Preferred to Purchaser, and Purchaser hereby purchases the Series E Preferred from Seller, for a total price of \$35,000. The purchase price shall be paid in cash at closing.

2. REPRESENTATIONS, WARRANTIES AND COVENANTS OF PURCHASER. Purchaser represents, warrants and covenants to Seller as follows:

a. PURCHASE ENTIRELY FOR OWN ACCOUNT. The Series E Preferred will be acquired by Purchaser for investment for Purchaser's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and Purchaser has no present intention of selling, granting any participation in, or otherwise distributing the same. By executing this



Agreement, Purchaser further represents that Purchaser does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participation to such person or to any third person, with respect to any of the Series E Preferred.

b. RELIANCE UPON PURCHASERS' REPRESENTATIONS. Purchaser understands that the Series E Preferred are not registered under the Securities Act of 1933, as amended (the "Act"), that the sale provided for in this Agreement and the issuance of Series E Preferred hereunder is exempt from

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registration under the Act, and that Seller's reliance on such exemption is based, in part, on Purchaser's representations set forth herein. Purchaser is an Accredited Investor as defined in Rule 501 of Regulation D of the Act.

c. RESTRICTED SECURITIES. Purchaser understands that the Series E Preferred may not be sold, transferred or otherwise disposed of without registration under the Act or an exemption therefrom, and that in the absence of an effective registration statement covering the Series E Preferred, or an available exemption from registration under the Act, the Securities must be held indefinitely. In particular, Purchaser is aware that the Series E Preferred may not be sold pursuant to Rule 144 promulgated under the Act unless all of the conditions of Rule 144 are met. Among the conditions for use of Rule 144 with respect to the Series E Preferred is the availability of current information to the public about Network-1. Purchaser understands that he or she must hold the Series E Preferred for at least one year from the date on which Purchaser purchases the Series E Preferred from Seller before Purchaser may sell the Series E Preferred pursuant to Rule 144.

d. LEGENDS. Purchaser agrees that each certificate or other document evidencing any of the Series E Preferred shall bear the following or similar legend:

"THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF A REGISTRATION STATEMENT UNDER THE ACT IN EFFECT WITH RESPECT TO THESE SECURITIES OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS REQUIRED."

e. RISKS OF INVESTMENT. Purchaser represents that: (a) Purchaser is experienced in evaluating and investing in securities of companies in the development stage and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of Purchaser's prospective investment in the Securities; (b) Purchaser has the ability to bear the economic risks of Purchaser's prospective investment; and (c) Purchaser is able, without materially impairing his or her financial condition, to hold the Series E Preferred for an indefinite period of time and to suffer complete loss of its investment.

4. SELLER'S REPRESENTATIONS AND WARRANTIES. Seller represents, warrants and covenants to Purchaser as follows:

a. CAPACITY. Seller has full legal capacity, power and authority to execute, deliver, and perform its obligations under this Agreement.

b. VALIDITY. This Agreement has been duly and validly executed and delivered by the Seller and constitutes a legal, valid and binding agreement of the Seller, enforceable against the Seller in accordance with its terms.

c. NO CONSENTS; NO CONTRAVENTION. The execution, delivery and performance by the Seller of this Agreement does not require any authorization consent, approval or action by or in respect of, or filing with, any governmental body, agency, official or other person and does not contravene, or constitute a default under, any provision of applicable law or regulation or of any agreement, judgment, order, decree or other instrument to which the Seller is a party or by which the Seller is bound.

d. OWNERSHIP OF SECURITIES. Seller owns of record and beneficially the Series E Preferred s, with full right and authority to sell and transfer such Securities hereunder, and upon sale and transfer of such Series E Preferred and the delivery of one or more deeds of transfer (or executed stock powers) with respect to such Series E Preferred hereunder, Purchaser will receive good, valid and marketable title thereto, free and clear of all liens, security interests or encumbrances or any other third parties rights, and not subject to any agreements or understandings among any persons with respect to the voting or transfer of such shares other than the voting agreement set forth in Article V.3 of the Securities Purchase Agreement among Network-1, Seller, and others, dated as of October 2, 2001. Other than the Warrants, Seller does not own any other securities of Network-1.

e. INFORMATION. Seller acknowledges that Corey M. Horowitz, the Chairman of the Board of Directors of Network-1, is the sole shareholder of the Purchaser. The Seller has received from Network-1 all the information it has requested and considers necessary or appropriate for deciding whether to sell the Series E Preferred, and has had the full opportunity to examine all relevant documents (including Network-1's public filings made with the SEC) and to ask questions of, and to receive answers from, Purchaser and the management of Network-1 concerning Network-1 and its business, prospects, financial condition and affairs, and all other matters deemed relevant by the Seller, including its intentions with respect to the Patents referenced in Exhibit A hereto.

#### 5. MISCELLANEOUS.

a. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement and understanding between the parties with respect to the subject matters herein, and supersedes and replaces any prior agreements and understandings, whether oral or written between and among them with respect to such matters. The provisions of this Agreement may be waived, altered, amended or repealed, in whole or in part, only upon the written consent of all parties to this Agreement.

b. SUCCESSORS AND ASSIGNS. Subject to any provisions herein with regard to assignment, all covenants and agreements herein shall bind and inure to the benefit of the respective heirs, executors, administrators, successors and assigns of the parties hereto.

c. APPLICABLE LAW. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

d. ATTORNEYS' FEES; COSTS. In the event a party breaches this Agreement, the breaching party shall pay all costs and attorneys' fees incurred by the other party in connection with such breach, whether or not any arbitration or litigation is commenced.

e. NOTICES. All notices, requests, demands, instructions or other communications required or permitted to be given under this Agreement

shall be in writing and shall be deemed to have been duly given upon delivery, if delivered personally, or if given by prepaid telegram, or mailed first-class, postage prepaid, registered or certified mail, return receipt requested, shall be deemed to have been given seventy-two (72) hours after such delivery, to the address set forth on the signature page below. Either party hereto may change the address to which such communications are to be directed by giving written notice to the other party hereto of such change in the manner above provided.

f. SURVIVAL. The representations, warranties, covenants and agreements made herein shall survive the closing of the transactions contemplated hereby.

g. DESCRIPTIVE HEADINGS. The headings herein [and in any of the documents attached hereto as exhibits], are descriptive only and for the convenience of identifying provisions, and are not determinative of the meaning or effect of any such provisions.

h. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which may be executed by less than all of the parties, each of which shall be enforceable against the parties actually executing such counterparts, and all of which together shall constitute one instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date first above written.

PURCHASER:

SELLER:

CMH CAPITAL MANAGEMENT CORP.

FALCONSTOR SOFTWARE, INC.

By: /s/ Corey M. Horowitz

By:/s/ Seth Horowitz

Corey M. Horowitz

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

2 Huntington Quadrangle  
Melville, NY 11747

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EXHIBIT A

RELEASE

This General Release (the "Release"), entered into this 18th day of November, 2003, by and between FalconStor Software, Inc. ("FalconStor") and Network-1 Security Solutions, Inc. ("Network-1"), is made with respect to the following facts:

RECITALS

WHEREAS, FalconStor is the owner of 1,084,935 shares of the Series E Preferred stock of Network-1 (the "Series E Preferred"); and

WHEREAS, in connection with its business strategy going forward, Network-1 has determined that it is in the best interests of Network-1 and its stockholders that FalconStor cease being a holder of the Series E Preferred; and

WHEREAS, the Board of Network-1 has determined that it is not in the financial interests of Network-1 to use its cash to purchase the Series E Preferred from Falconstor; and

WHEREAS, Network-1 has no objection to FalconStor selling the Series E Preferred to CMH Capital Management Corp., a company controlled by the

Chairman of the Board of Network-1,; and

NOW THEREFORE, in consideration of the foregoing and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

## OPERATIVE PROVISIONS

### 1. RELEASE.

A). Effective upon the latter of: a) FalconStor's sale of the Series E Preferred to CMH; and b) Network-1's purchase, license, or receipt by assignment of the patents set forth on Exhibit A (the "Patents"), Network-1 hereby releases and forever discharges FalconStor and its subsidiaries, and its and their successors, heirs, officers, directors, employees, agents, principals and shareholders from any and all rights, claims, demands, interests, causes of action, suits, debts, controversies, liabilities, costs, expenses, attorneys' fees, and damages of whatever character, nature or kind whatsoever, including those in law and in equity, whether known or unknown, which they now have against FalconStor, including, without limitation, the Patents. Network-1 acknowledges that it may discover facts or law different from, or in addition to, the facts or law that it knows or believes to be true with respect to the claims released and agrees, nonetheless, that this Release shall be full and remain effective in all respects notwithstanding such different or additional facts or discovery of them.

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B). Effective upon FalconStor's sale of the Series E Preferred to CMH, Falconstor hereby releases and forever discharges Network-1 and its subsidiaries, and its and their successors, heirs, officers, directors, employees, agents, principals and shareholders from any and all rights, claims, demands, interests, causes of action, suits, debts, controversies, liabilities, costs, expenses, attorneys' fees, and damages of whatever character, nature or kind whatsoever, including those in law and in equity, whether known or unknown, which they now have against Network-1. Falconstor acknowledges that it may discover facts or law different from, or in addition to, the facts or law that it knows or believes to be true with respect to the claims released and agrees, nonetheless, that this Release shall be full and remain effective in all respects notwithstanding such different or additional facts or discovery of them.

2. WAIVER OF CIVIL CODE SECTION 1542. Network-1 and Falconstor intend that the foregoing release shall be effective as a bar to all claims, whether known or unknown. In furtherance of this intention, Network-1 and Falconstor expressly waives any and all rights and benefits conferred upon them by the provisions of section 1542 of the California Civil Code, which provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

or any similar provision of law. Further, Network-1 and Falconstor acknowledges that the foregoing waiver was separately bargained for and is a key element of this Release.

### 3. GENERAL PROVISIONS.

a. REPRESENTATION OF COMPREHENSION OF DOCUMENT. In entering into this Release, the parties warrant and represent that: (i) they have read the

contents of this Release; (ii) the terms of this Release have been explained to them by their respective attorneys; (iii) those terms are fully understood and voluntarily accepted by them; (iv) they have relied upon the legal advice of their own choosing; and (v) no party shall deny the validity of this Release on the ground that it/they did not have the advise of its/their counsel.

b. RECITALS. The parties represent and warrant that the Recitals in this Release are true and correct and are incorporated herein as representations and warranties, as applicable, by this reference.

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c. REPRESENTATION OF AUTHORITY TO ENTER AGREEMENT. Each of the undersigned represents that they have authority to enter into this Release and execute its terms.

d. MERGER AND MODIFICATION. This Release constitutes the entire written agreement of compromise and settlement between the parties and there are no other agreements modifying its terms. The terms of this Release can be modified only by a writing signed by the parties which expressly states that such modification is intended.

e. GOVERNING LAW. The parties acknowledge and agree that the conditions, validity and enforceability of any terms or provisions of this Release shall be determined by the laws of the State of New York governing contracts entered into and to be performed in the State of New York.

f. INTERPRETATION OF RELEASE. This Release constitutes a fully negotiated agreement among commercially sophisticated parties and therefore shall not be construed or interpreted for or against any party.

g. ATTORNEYS' FEES AND COSTS. If any of the parties hereto commences any action to enforce, interpret or challenge the terms of this Release, then each of the parties hereto hereby agrees that the prevailing party in any such action shall be entitled to recover its/their attorneys' fees and court costs, and other non-reimbursable litigation expenses, including expert witness fees and attorney and witness travel expenses, and including all attorneys' fees and costs incurred in enforcing any judgment or in collecting upon any amounts that may be awarded in any such action.

h. COUNTERPARTS. This Release may be executed in any number of counterparts, all of which shall constitute one in the same instrument, and any party hereto may execute this Release by signing one or more counterparts. Notwithstanding the foregoing, the releases contained herein are intended to and shall become effective only when this Release has been executed by all of the parties hereto.

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i. SUCCESSORS AND ASSIGNS. This Release may not be assigned in whole or in part by either party without the prior written consent of the other party, except either party may assign this Agreement without the other's prior written consent to an Affiliated Entity, or in the event of a merger or other reorganization involving such party, or sale of all or substantially all of such party's assets. For purposes hereof, Affiliated Entity shall be defined as an entity controlled by, or under common control with, such party. This Release shall be binding upon, inure to the benefit of, and be enforceable by, the

parties hereto and their successors and assigns.

IN WITNESS WHEREOF, this Release is executed as of the day and year first above set forth.

FalconStor Software, Inc.

Network-1 Security Solutions, Inc.

/s/ Seth Horowitz

/s/ Edward W. James

By: Seth Horowitz

By: Edward W. James

Its: Vice President, Corporate Counsel

Its: Interim CEO and CFO

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#### EXHIBIT A

1. 6,577,631: Communication switching module for the transmission and control of audio, video, and computer data over a single network fabric
2. 6,574,242: Method for the transmission and control of audio, video, and computer data over a single network fabric
3. 6,570,890: Method for the transmission and control of audio, video, and computer data over a single network fabric using Ethernet packets
4. 6,539,011: Method for initializing and allocating bandwidth in a permanent virtual connection for the transmission and control of audio, video, and computer data over a single network fabric
5. 6,218,930: Apparatus and method for remotely powering access equipment over a 10/100 switched Ethernet network
6. 6,215,789: Local area network for the transmission and control of audio, video, and computer data

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#### Exhibit 2

#### JOINT FILING AGREEMENT

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In accordance with Rule 13d-1(k)(1)(iii) under the Securities Exchange Act of 1934, as amended, the persons named below agree to the joint filing on behalf of each of them of a Statement on Schedule 13D dated November 26, 2003 (including amendments thereto) with respect to the Common Stock of Network-1 Security Solutions, Inc. This Joint Filing Agreement shall be filed as an Exhibit to such Statement.

Dated: November 26, 2003

/s/ Corey M. Horowitz

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Corey M. Horowitz

CMH CAPITAL MANAGEMENT CORP.

By: /s/ Corey M. Horowitz

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Corey M. Horowitz  
President