

NETWORK 1 TECHNOLOGIES INC

Form 424B3

November 12, 2014

NETWORK-1 TECHNOLOGIES, INC.

Filed Pursuant to Rule 424(b)(3)

Registration No. 333-190719

PROSPECTUS SUPPLEMENT NO. 3

(To Prospectus dated October 1, 2014)

This is a prospectus supplement to our prospectus dated October 1, 2014 (the “Prospectus”) relating to the resale from time to time by selling stockholders of up to 4,329,186 shares of our common stock, including shares issuable upon exercise of outstanding warrants. On November 12, 2014, we filed with the Securities and Exchange Commission a Quarterly Report on Form 10-Q. The text of the Quarterly Report on Form 10-Q is attached to and a part of this supplement.

This prospectus supplement should be read in conjunction with the Prospectus and may not be delivered or utilized without the Prospectus. This prospectus supplement is qualified by reference to the Prospectus, except to the extent that the information provided by this prospectus supplement supersedes the information contained in the Prospectus.

The securities offered by the Prospectus involve a high degree of risk. You should carefully consider the “Risk Factors” beginning on page 8 of the Prospectus in determining whether to purchase the common stock.

The date of this prospectus supplement is November 12, 2014.

U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-15288

NETWORK-1 TECHNOLOGIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or other jurisdiction of incorporation or organization)

11-3027591

(IRS Employer Identification No.)

445 Park Avenue, Suite 912
New York, New York
(Address of principal executive offices)

(zip code)

10022

212-829-5770

(Registrant's Telephone Number)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§223.405) of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "Large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input checked="" type="checkbox"/>
		(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The number of shares of Common Stock, \$.01 par value per share, outstanding as of November 12, 2014 was 24,474,336.

NETWORK-1 TECHNOLOGIES, INC.

Form 10-Q INDEX

		Page No.
PART I.	FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	Condensed Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013 (unaudited)	3
	Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the three and nine months ended September 30, 2014 and 2013 (unaudited)	4
	Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 and 2013 (unaudited)	5
	Notes to Unaudited Condensed Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	29
Item 4.	Controls and Procedures	29
PART II.	OTHER INFORMATION	
Item 1.	Legal Proceedings	31
Item 1A.	Risk Factors	33
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	33
Item 3.	Defaults Upon Senior Securities	34
Item 5.	Other Information	34
Item 6.	Exhibits	34
SIGNATURES		36

- 2 -

PART 1 FINANCIAL INFORMATION

Item 1. Financial Statements

NETWORK-1 TECHNOLOGIES, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 UNAUDITED

	September 30, 2014	December 31, 2013
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 19,193,000	\$ 18,938,000
Marketable securities	514,000	530,000
Royalty receivables	1,319,000	814,000
Other current assets	156,000	276,000
Total Current Assets	\$ 21,182,000	20,558,000
OTHER ASSETS:		
Deferred tax asset	\$ 4,128,000	5,659,000
Patents, net of accumulated amortization	3,988,000	5,136,000
Other investments	481,000	196,000
Security deposits	19,000	19,000
Total Other Assets	8,616,000	11,010,000
TOTAL ASSETS	\$ 29,798,000	\$ 31,568,000
LIABILITIES AND STOCKHOLDERS' EQUITY:		
CURRENT LIABILITIES:		
Accounts payable	\$ 88,000	\$ 136,000
Accrued expenses	562,000	628,000
TOTAL LIABILITIES	650,000	764,000
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock - \$0.01 par value; authorized 50,000,000 shares; 24,829,336 and 25,854,548 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively	248,000	259,000
Additional paid-in capital	\$ 60,859,000	\$ 61,129,000

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Accumulated deficit	(31,913,000)	(30,553,000)
Other comprehensive loss	(46,000)	(31,000)
TOTAL STOCKHOLDERS' EQUITY	29,148,000	30,804,000
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 29,798,000	\$ 31,568,000

See notes to unaudited condensed consolidated financial statements

- 3 -

NETWORK-1 TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
UNAUDITED

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
ROYALTY REVENUE	\$ 1,367,000	\$ 1,227,000	\$ 11,024,000	\$ 7,198,000
COST OF REVENUE	337,000	345,000	3,157,000	2,117,000
GROSS PROFIT	1,030,000	882,000	7,867,000	5,081,000
OPERATING EXPENSES:				
General and Administrative	668,000	738,000	1,881,000	1,933,000
Depreciation and Amortization	408,000	418,000	1,226,000	668,000
Non-Cash Compensation	45,000	70,000	207,000	326,000
TOTAL OPERATING EXPENSES	1,121,000	1,226,000	3,314,000	2,927,000
OPERATING INCOME (LOSS)	(91,000)	(344,000)	4,553,000	2,154,000
OTHER INCOME:				
Interest income, net	8,000	9,000	29,000	27,000
INCOME (LOSS) BEFORE INCOME TAXES	(83,000)	(335,000)	4,582,000	2,181,000
INCOME TAXES (BENEFIT)				
Current	(12,000)	(3,000)	90,000	23,000
Deferred	(35,000)	(124,000)	1,531,000	192,000
Total Income Taxes (Benefits)	(47,000)	(127,000)	1,621,000	215,000
NET INCOME (LOSS)	\$ (36,000)	\$ (208,000)	\$ 2,961,000	\$ 1,966,000
Net Income per share				
Basic	\$ (0.00)	\$ (.01)	\$ 0.12	\$ 0.08
Diluted	\$ (0.00)	\$ (.01)	\$ 0.11	\$ 0.07
Weighted average number of common shares outstanding:				
Basic	24,942,874	25,792,387	25,396,573	25,387,348
Diluted	24,942,874	25,792,387	27,610,979	27,462,358

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NET INCOME (LOSS)	\$ (36,000)	\$ (208,000)	\$ 2,961,000	\$ 1,966,000
OTHER COMPREHENSIVE LOSS NET OF TAX				
Unrealized loss arising during period	(5,000)	(1,000)	(15,000)	(15,000)
COMPREHENSIVE INCOME (LOSS)	\$ (41,000)	\$ (209,000)	\$ 2,946,000	\$ 1,951,000

See notes to unaudited condensed consolidated financial statements

NETWORK-1 TECHNOLOGIES, INC.
CONDENSED STATEMENTS OF CASH FLOW
UNAUDITED

	Nine Months Ended September 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 2,961,000	\$ 1,966,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of Patents	1,226,000	668,000
Stock based compensation	207,000	326,000
Deferred tax provision	1,531,000	