

FALCONSTOR SOFTWARE INC  
 Form 4  
 March 13, 2007

**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 \*  
**CARNEY PATRICK B**

2. Issuer Name and Ticker or Trading Symbol  
**FALCONSTOR SOFTWARE INC  
 [FALC]**

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

(Last) (First) (Middle)  
**3 WYCOFF WAY**  
 (Street)

3. Date of Earliest Transaction  
 (Month/Day/Year)  
**03/09/2007**

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

**MENDHAM, NJ 07945**

(City) (State) (Zip)

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

**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)
Common Stock	03/09/2007		M			500	\$ 10.33	1,000	D	
Common Stock	03/09/2007		S <sup>(1)</sup>			500	\$ 10.33	500	D	
Common Stock	03/12/2007		M			14,500	\$ 10.33	15,000	D	
Common Stock	03/12/2007		S <sup>(1)</sup>			14,500	\$ 10.33	500	D	
Common Stock	03/12/2007		S			400	\$ 10.4001	100	D	

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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. Amount or Number of Shares
Stock Option (right to buy)	\$ 5.33	03/09/2007		M	500	<u>(2)</u> 05/14/2013	Common Stock	500
Stock Option (right to buy)	\$ 5.33	03/12/2007		M	14,500	<u>(2)</u> 05/14/2013	Common Stock	14,500

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
CARNEY PATRICK B 3 WYCOFF WAY MENDHAM, NJ 07945	X			

## Signatures

/s/ Carney,  
Patrick B. 03/13/2007

\*\*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).
- (1) The options were acquired and sold pursuant to a cashless exercise.

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- The options are exercisable as to one-fourth of the shares subject thereto commencing on May 15, 2004; the options are exercisable as to
- (2) the remainder of the shares subject thereto in 36 equal installments, one forty-eighth at the end of each month for 36 months following May 15, 2004.

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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