

TELKONET INC
Form 5
April 25, 2007

FORM 5

**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).
Form 3 Holdings Reported Form 4 Transactions Reported

ANNUAL 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

1. Name and Address of Reporting Person *
LYNCH TOM

(Last) (First) (Middle)

20374 SENECA MEADOWS
PARKWAY

(Street)

GERMANTOWN, MD 20876

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
TELKONET INC [TKO]

3. Statement for Issuer's Fiscal Year Ended (Month/Day/Year)
12/31/2006

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

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

6. Individual or Joint/Group Reporting

(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 at end of Issuer's Fiscal Year (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|--|--|-----------------------------------|
| Common Stock par value \$0.001 | | | 3 | (A) or (D) Price | | D (5) | |

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

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

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| 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 Security (Instr. 3 and 4) |
|--|--|--------------------------------------|--|--------------------------------|---|--------|--|-----------------|---|
| | | | | | (A) | (D) | Date Exercisable | Expiration Date | Title |
| Option to purchase <u>(2)</u> | \$ 2 | 10/01/2003 | Â | A4 | 40,000 | Â | Â <u>(6)</u> | 10/01/2013 | Common |
| Option to purchase <u>(3)</u> | \$ 2 | 04/20/2004 | Â | A4 | Â | 20,000 | Â <u>(6)</u> | 10/01/2013 | Common |
| Option to purchase <u>(4)</u> | \$ 3.45 | 04/20/2004 | Â | A4 | 40,000 | Â | Â <u>(6)</u> | 04/20/2014 | Common |
| Option to purchase | \$ 3.45 | 04/01/2005 | Â | A4 | 40,000 | Â | Â <u>(6)</u> | 04/01/2015 | Common |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---------------|-----------|---------|-------|
| | Director | 10% Owner | Officer | Other |
| LYNCH TOM 20374 SENECA MEADOWS PARKWAY GERMANTOWN, MD 20876 | Â X | Â | Â | Â |

Signatures

/s/ Thomas C. Lynch
04/25/2007

**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) No shares beneficially owned as of October 1, 2003; the date of appointment to the Board of Directors
- (2) Options issued pursuant to appointment to the Board of Directors' on October 1, 2003.
- (3) Options cancelled pursuant to revised compensation agreement approved by the Board on April 20, 2004.
- (4) Options issued pursuant to revised compensation agreement approved by the Board on April 20, 2004.
- (5) Not applicable.
- (6) Stock options issued pursuant to the Director's Compensation Plan vest at a rate of 10,000 options per quarter.

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

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