

GRIMES DAVID W  
Form 5  
February 10, 2006

**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 \*  
GRIMES DAVID W

(Last) (First) (Middle)

107 BONFIELD AVE.

(Street)

OXFORD, MD 21654

(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)  
12/31/2005

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 Indirect Beneficial Ownership (Instr. 4)
				(A) Amount or (D) Price			
Common Stock par value \$0.001	01/17/2002	^	J4 <sup>(1)</sup>	3,721,918 D \$ 0	1,250,000 D	^	
Common Stock par value \$0.001	06/07/2002	^	S	10,000 D \$ 0.5	1,240,000 D	^	
	06/11/2002	^	S	10,000 D \$ 0.5	1,230,000 D	^	

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Common Stock par value \$0.001									
Common Stock par value \$0.001	06/12/2002	Â	S	10,000	D	\$ 0.5	1,220,000	D	Â
Common Stock par value \$0.001	06/17/2002	Â	S	10,000	D	\$ 1	1,210,000	D	Â
Common Stock par value \$0.001	06/19/2002	Â	S	10,000	D	\$ 1	1,200,000	D	Â
Common Stock par value \$0.001	07/03/2002	Â	S	80,000	D	\$ 0.5	1,120,000	D	Â
Common Stock par value \$0.001	07/05/2002	Â	S	10,000	D	\$ 1	1,110,000	D	Â
Common Stock par value \$0.001	08/09/2002	Â	S	25,000	D	\$ 0.5	1,085,000	D	Â
Common Stock par value \$0.001	08/13/2002	Â	S	25,000	D	\$ 0.5	1,060,000	D	Â
Common Stock par value \$0.001	08/15/2002	Â	S	50,000	D	\$ 0.96	1,010,000	D	Â
Common Stock par value \$0.001	10/17/2002	Â	S	10,000	D	\$ 0.51	1,000,000	D	Â
Common Stock par value \$0.001	10/21/2002	Â	S	1,000	D	\$ 0.44	999,000	D	Â
	11/08/2002	Â	S	1,500	D		997,500	D	Â

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Common Stock par value \$0.001						\$ 0.54			
Common Stock par value \$0.001	12/05/2002	Â	S	2,000	D	\$ 0.57	995,500	D	Â
Common Stock par value \$0.001	12/17/2002	Â	S	35,000	D	\$ 0.65	960,500	D	Â
Common Stock par value \$0.001	01/24/2003	Â	S	1,500	D	\$ 0.73	959,000	D	Â
Common Stock par value \$0.001	01/29/2003	Â	S	3,000	D	\$ 1.04	956,000	D	Â
Common Stock par value \$0.001	03/03/2003	Â	S	2,000	D	\$ 1.53	954,000	D	Â
Common Stock par value \$0.001	04/04/2003	Â	G	80,000	D	\$ 1.75	874,000	D	Â
Common Stock par value \$0.001	05/16/2003	Â	S	7,000	D	\$ 2.5	867,000	D	Â
Common Stock par value \$0.001	08/05/2003	Â	A	43,405	A	\$ 0.55	910,405	D	Â
Common Stock par value \$0.001	10/02/2003	Â	S	15,000	D	\$ 2	895,405	D	Â
Common Stock par value \$0.001	10/03/2003	Â	S	10,000	D	\$ 2	885,405	D	Â
	11/17/2003	Â	S	10,000	D		875,405	D	Â

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Common Stock par value \$0.001						\$ 2.51			
Common Stock par value \$0.001	11/18/2003	Â	S	10,000	D	\$ 2.34	865,405	D	Â
Common Stock par value \$0.001	04/12/2004	Â	S	3,600	D	\$ 5.12	861,805	D	Â
Common Stock par value \$0.001	04/13/2004	Â	S	6,100	D	\$ 5.08	855,705	D	Â
Common Stock par value \$0.001	04/23/2004	Â	S	300	D	\$ 4.09	855,405	D	Â

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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**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 Underlying (Instr. 3 and 4)
					(A)	(D)	Date Exercisable	Expiration Date	
Call Option	\$ 1	06/06/2002	Â	A	250,000	Â	06/06/2002	06/02/2012	Common
Call Option	\$ 1	07/06/2002	Â	A	250,000	Â	07/06/2002	07/06/2012	Common
Call Option	\$ 1	07/26/2002	Â	A	500,000	Â	07/26/2002	07/26/2012	Common
Call Option	\$ 1	12/31/2002	Â	H	Â	1,000,000	12/31/2002	12/31/2002	Common
Call Option	\$ 1	01/01/2003	Â	A	825,000	Â	10/01/2005	10/01/2006	Common

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
GRIMES DAVID W 107 BONFIELD AVE. OXFORD, MD 21654	X	^	^	^

## Signatures

/s/ Suzanne Grimes, for deceased	02/10/2006
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\_\_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) Represents shares retired in connection with Capital Restructuring

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