

TELKONET INC  
Form 5  
April 30, 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 \*  
MUSSER WARREN V

(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	

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

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SEC 2270 (9-02)

**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 Amount Number of Shares
Option to purchase	\$ 1	12/18/2006 <sup>(2)</sup>	Â	J4 <sup>(3)</sup>	2,000,000 Â	Â Â <sup>(2)</sup> 01/18/2013	Common 2,000,000

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MUSSER WARREN V 20374 SENECA MEADOWS PARKWAY GERMANTOWN, MD 20876	Â X	Â	Â	Â

## Signatures

/s/ Warren V. Musser 04/26/2007

\*\*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 January 30, 2003, date of election as Chairman of the Board.
- (2) Options vested ratably on a quarterly basis over a period of 12 consecutive quarters, beginning January 18, 2003 (grant date). As of January 18, 2006, all of these options have vested.  
In January 2003, the company entered into a consulting agreement with the Musser Group, whereby the Musser Group was issued 2,000,000 options to purchase shares of common stock at \$1.00. Warren Musser is a principal of the Musser Group, which at the time of the agreement was 95% owned by Hilary Musser, Mr. Musser's wife. As a result of certain legal proceedings between Mr. and Mrs. Musser, Mr. Musser did not have voting or dispositive control of the Telkonet securities held by the Musser Group prior to December 18, 2006. On December 18, 2006, Mrs. Musser transferred her 95% interest in the Musser Group to Mr. Musser, at which time he became the indirect beneficial owner of those securities.
- (4) Options to purchase Telkonet common stock are held by the Musser Group, LLC, of which Mr. Musser owns 100% of the issued and outstanding membership units.

Note: File three copies of this Form, one of which must be manually signed. If space provided is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.