

Landry James F
Form 5
May 24, 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 *
Landry James F

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

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

(Last) (First) (Middle)

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

20374 SENECA MEADOWS PARKWAY

(Street)

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

6. Individual or Joint/Group Reporting

(check applicable line)

GERMANTOWN, MD 20876

Form Filed by One Reporting Person
 Form Filed by More than One Reporting Person

(City) (State) (Zip)

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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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 Underlying Securities (Instr. 3 and 4) | |
|--|--|--------------------------------------|--|--------------------------------|---|-----|--|-----------------|--|----------------------|
| | | | | | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount Number Shares |
| Option to purchase <u>(2)</u> | \$ 1 | 12/20/2001 | Â | J ⁽³⁾ | 25,000 | Â | Â <u>(4)</u> | 12/20/2011 | Common | 25,000 |
| Option to purchase <u>(2)</u> | \$ 1 | 02/15/2002 | Â | J ⁽³⁾ | 100,000 | Â | Â <u>(5)</u> | 02/15/2012 | Common | 100,000 |
| Option to purchase <u>(2)</u> | \$ 1 | 01/01/2003 | Â | J ⁽³⁾ | 125,000 | Â | Â <u>(6)</u> | 01/01/2013 | Common | 125,000 |
| Option to purchase <u>(2)</u> | \$ 3.45 | 05/01/2004 | Â | J ⁽³⁾ | 250,000 | Â | Â <u>(7)</u> | 05/01/2014 | Common | 250,000 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|----------------------------|-------|
| | Director | 10% Owner | Officer | Other |
| Landry James F 20374 SENECA MEADOWS PARKWAY GERMANTOWN, MD 20876 | Â | Â | Â Chief Technology Officer | Â |

Signatures

/s/ James F. Landry
05/24/2007

**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) Shares beneficially owned as of the date of appointment to Chief Technology Officer and December 31, 2006.
- (2) Stock options to purchase shares of common stock beneficially owned as of December 31, 2006.
- (3) Information on this line should have been reported on a Form 3.
- (4) Options vest ratably on a quarterly basis over a three year period. As of December 31, 2006 and filing date, the options are fully vested and exercisable.
- (5) Options vest ratably on a monthly basis over a three year period. As of December 31, 2006 and filing date, the options are fully vested and exercisable.

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- (6) Options vest ratably on a quarterly basis over a three year period. As of December 31, 2006 and filing date, the options are fully vested and exercisable.
- (7) Options vest ratably on an annual basis over a five period. As of December 31, 2006, and filing date, 100,000 and 150,000 of these options are vested and exercisable, respectively.

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.