

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 or Section 30(h) of the Investment Company Act of 1940

1. Name and Address of Reporting Person GRIMES DAVID W			2. Issuer Name and Ticker or Trading Symbol TELKONET INC [TKO]			5. Relationship of Reporting Person(s) to Issuer (Check all applicable) <input checked="" type="checkbox"/> Director <input type="checkbox"/> Officer (give title below) <input type="checkbox"/> 10% Owner <input type="checkbox"/> Other (specify below)		
(Last)	(First)	(Middle)	3. Statement for Issuer's Fiscal Year Ended (Month/Day/Year) 12/31/2005					
107 BONFIELD AVE.			4. If Amendment, Date Original Filed (Month/Day/Year)			6. Individual or Joint/Group Reporting (check applicable line) <input checked="" type="checkbox"/> Form Filed by One Reporting Person <input type="checkbox"/> Form Filed by More than One Reporting Person		
(Street)								
OXFORD, MD 21654								
(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 Indirect Beneficial Ownership (Instr. 4)
				Amount	(A) or (D)	Price			
Common Stock par value \$0.001	01/17/2002		J4(1)	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	
Common Stock par value \$0.001	06/11/2002		S	10,000	D	\$ 0.5	1,230,000	D	
Common Stock par value \$0.001	06/12/2002		S	10,000	D	\$ 0.5	1,220,000	D	
Common Stock par value \$0.001	06/17/2002		S	10,000	D	\$ 1	1,210,000	D	
Common Stock par value \$0.001	06/19/2002		S	10,000	D	\$ 1	1,200,000	D	
Common Stock par value \$0.001	07/03/2002		S	80,000	D	\$ 0.5	1,120,000	D	
Common Stock par value \$0.001	07/05/2002		S	10,000	D	\$ 1	1,110,000	D	
Common Stock par value \$0.001	08/09/2002		S	25,000	D	\$ 0.5	1,085,000	D	
Common Stock par value \$0.001	08/13/2002		S	25,000	D	\$ 0.5	1,060,000	D	
Common Stock par value \$0.001	08/15/2002		S	50,000	D	\$ 0.96	1,010,000	D	
Common Stock par value \$0.001	10/17/2002		S	10,000	D	\$ 0.51	1,000,000	D	
Common Stock par value \$0.001	10/21/2002		S	1,000	D	\$ 0.44	999,000	D	
Common Stock par value \$0.001	11/08/2002		S	1,500	D	\$ 0.54	997,500	D	
Common Stock par value \$0.001	12/05/2002		S	2,000	D	\$ 0.57	995,500	D	
Common Stock par value \$0.001	12/17/2002		S	35,000	D	\$ 0.65	960,500	D	
Common Stock par value \$0.001	01/24/2003		S	1,500	D	\$ 0.73	959,000	D	
Common Stock par value \$0.001	01/29/2003		S	3,000	D	\$ 1.04	956,000	D	
Common Stock par value \$0.001	03/03/2003		S	2,000	D	\$ 1.53	954,000	D	
Common Stock par value \$0.001	04/04/2003		G	80,000	D	\$ 1.75	874,000	D	
Common Stock par value \$0.001	05/16/2003		S	7,000	D	\$ 2.5	867,000	D	
Common Stock par value \$0.001	08/05/2003		A	43,405	A	\$ 0.55	910,405	D	
Common Stock par value \$0.001	10/02/2003		S	15,000	D	\$ 2	895,405	D	
Common Stock par value \$0.001	10/03/2003		S	10,000	D	\$ 2	885,405	D	
Common Stock par value \$0.001	11/17/2003		S	10,000	D	\$ 2.51	875,405	D	
Common Stock par value \$0.001	11/18/2003		S	10,000	D	\$ 2.34	865,405	D	
Common Stock par value \$0.001	04/12/2004		S	3,600	D	\$ 5.12	861,805	D	
Common Stock par value \$0.001	04/13/2004		S	6,100	D	\$ 5.08	855,705	D	
						\$			

Common Stock par value \$0.001	04/23/2004		S	300	D	4.09	855,405		D	
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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)

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. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Beneficially Owned at End of Issuer's Fiscal Year (Instr. 4)	10. Ownership Form of Derivative Security: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)
					(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares				
Call Option	\$ 1	06/06/2002		A	250,000		06/06/2002	06/02/2012	Common	250,000	\$ 1	250,000	D	
Call Option	\$ 1	07/06/2002		A	250,000		07/06/2002	07/06/2012	Common	250,000	\$ 1	500,000	D	
Call Option	\$ 1	07/26/2002		A	500,000		07/26/2002	07/26/2012	Common	500,000	\$ 1	1,000,000	D	
Call Option	\$ 1	12/31/2002		H		1,000,000	12/31/2002	12/31/2002	Common	1,000,000	\$ 1	0	D	
Call Option	\$ 1	01/01/2003		A	825,000		10/01/2005	10/01/2006	Common	825,000	\$ 1	825,000	D	

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
<small>**Signature of Reporting Person</small>	<small>Date</small>

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

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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