

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

August 8, 2007

(Date of earliest event reported)

TELKONET, INC.

(Exact Name of Registrant as Specified in Its Charter)

Utah

(State or Other Jurisdiction of Incorporation)

001-31972

(Commission File No.)

87-0627421

(I.R.S. Employer Identification No.)

20374 Seneca Meadows Parkway, Germantown, Maryland 20876

(Address of Principal Executive Offices)

(240)-912-1800

(Registrant's Telephone Number)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425).

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12).

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b)).

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c)).

5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Jason Tienor, Chief Executive Officer of EthoStream, Telkonet's wholly-owned subsidiary, has been appointed to the position of Chief Operating Officer of Telkonet, effective August 20, 2007. Mr. Tienor, age 32, will retain his current position as Chief Executive Officer of Ethostream, which he has held since 2002.

On March 15, 2007, Telkonet completed the acquisition of 100% of the issued and outstanding membership interests of EthoStream from all of the members of EthoStream, including Mr. Tienor. The purchase price of \$11,756,097 was comprised of \$2.0 million in cash and 3,459,609 shares of Telkonet common stock. The entire stock portion of the purchase price is being held in escrow to satisfy certain potential indemnification obligations of the sellers, including Mr. Tienor, under the purchase agreement. The shares held in escrow are distributable over three years following the closing. Mr. Tienor received total compensation of \$2,979,460, or approximately 25% of the total consideration paid by Telkonet, based upon his ownership interest in EthoStream prior to the acquisition.

In connection with his appointment, Mr. Tienor's annual salary has been increased to \$200,000 and he was granted options to purchase 100,000 shares of Telkonet common stock at \$1.80 per share. He remains eligible to participate in the incentive and benefit plans pursuant to his existing employment agreement and Telkonet's internal policies. Mr. Tienor will continue to serve under the terms of his existing employment agreement with Telkonet, which expires March 10, 2014, as follows:

- Eligibility for incentive bonus based upon objectives to be determined by the Chief Executive of Telkonet and the Board of Directors, and agreed upon by the employee;
- Perquisite payments in the amount of \$700 per month for automobile expenses incurred while employed with the Company;
- Severance payments which include the employee's base salary and benefits for three months from the date of termination or March 14, 2010, whichever occurs later.

Additionally, the Company has entered into an oral agreement with Dorothy (Dottie) Cleal pursuant to which she has agreed to serve as Executive Vice President of Telkonet, effective August 20, 2007, reporting directly to Mr. Tienor. Ms. Cleal, age 57, served as Vice President and Director, Navy and Marine Corps Business Program, of SRA International, a billion dollar leading provider of consulting services to clients in the national security, civil government, health care and public health, since 2005. From 2000 through 2005 she served as the Navy account manager as well as the Navy and Marine Corps account manager with SRA. Prior to joining SRA, Ms. Cleal was the acting Chief Information Officer and Associate Director for Information Systems and Technology at the White House.

The following is a description of the material terms of her employment:

- An annual base salary in the amount of \$190,000, which will be reviewed annually;
- The use of a furnished, one bedroom apartment while employed with the Company;
- Stock option grant to purchase 50,000 shares of Telkonet common stock at \$1.80 per share;
- Participation in the Company's incentive and benefit programs.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

99 Press Release, dated August 14, 2007

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TELKONET, INC.

Date: August 14, 2007

By: /s/ Richard J. Leimbach

Richard J. Leimbach

Vice President, Finance



For Immediate Release: August 8, 2007 NEWS RELEASE

Telkonet Names Jason Tienor COO; Appoints New Executive Vice President

Germantown, MD, Telkonet, Inc. (AMEX: TKO), the leader in providing in-building broadband access over existing electrical wiring, today announced that Jason Tienor, president and CEO of EthoStream, is being promoted to the new position of chief operating officer, responsible for Telkonet, EthoStream and Smart Systems International, reporting directly to Ron Pickett, Telkonet's president and CEO. In addition, Dorothy (Dottie) Cleal is being appointed as executive vice president, reporting directly to Mr. Tienor and operating out of Telkonet's headquarters in Germantown, Maryland. These appointments are effective August 20, 2007.

"We have now combined all operations as a result of the recent acquisitions and will be experiencing a net operational cost savings of approximately \$1,000,000/year by year-end," said Ron Pickett, president and CEO of Telkonet. These organizational changes are also designed to facilitate the company's growth plans. Having worked closely with Jason for the past year, he has proven to be an exceptional business leader and a strategic planner, coupled with strong technical expertise. He has excelled by developing, from the ground up, one of the largest hospitality networks in the US with unparalleled, end-to-end customer support. With Jason's drive, expertise and dedication to quality, Jason is highly qualified to drive our sales and take the company to the next level."

Ron Pickett continued, "Ms. Cleal has a wealth of experience, having worked with the Secretary of Defense, the White House, and for the past seven years, with SRA International, a billion dollar leading provider of technology and strategic consulting services to clients in national security, civil government, health care and public health. Ms. Cleal will play a major role implementing the company's day-to-day operations."

Ms. Cleal brings more than 28 years of Navy experience to her new role; the past 7 with SRA International, where Ms. Cleal served as Vice President and Director, Navy and Marine Corps Business Program since 2005. She joined SRA as the Navy account manager and subsequently became the Navy and Marine Corps account manager before assuming responsibility for the business program. Prior to joining SRA, Ms. Cleal was the acting chief information officer and associate director for information systems and technology at the White House.

As a co-founder and CEO of EthoStream, Mr. Tienor received a BBA in MIS and Marketing from the University of Wisconsin – Oshkosh and an MBA with an emphasis on Computer Science from Marquette University. After receiving his undergraduate degree, Mr. Tienor worked for a major telecommunications firm prior to co-founding a Milwaukee-based IT consulting firm. While attending Marquette, Mr. Tienor and CIO Mr. Sobieski subsequently founded EthoStream, which has grown to become one of the largest HSIA providers to the hospitality industry in the nation.

(more)

Contacts:

Michael Porter President Porter, LeVay & Rose, Inc. 212.564.4700 mike@plrinvest.com www.plrinvest.com
Mitchell Simmons Rubenstein Public Relations 212-843-8073 msimmons@rubensteinpr.com

About Telkonet

Telkonet develops and markets technology for the high-speed transmission of secure voice, video and data communications over in-premise and shipboard electrical wiring. The revolutionary Telkonet iWire System™ utilizes proven powerline communications (PLC) technology to deliver commercial high-speed broadband access from an IP "platform" that is easy to deploy, reliable and cost-effective by leveraging a building's existing electrical infrastructure. Telkonet's products are designed for use in commercial and residential applications, including multi-dwelling units and the hospitality and government markets. Applications supported by the Telkonet "platform" include but are not limited to: VoIP telephones, Internet connectivity, local area networking, video teleconferencing, IP surveillance and a host of other IT services.

Telkonet SmartEnergy efficiently manages in-room energy usage with intelligent thermostats, packaged terminal air conditioner (PTAC) controllers and occupancy sensors. It significantly reduces energy consumption and improves energy efficiency by automatically adjusting the heating or air conditioning temperature when a room is vacant. The thermostat constantly calculates how far the temperature can vary to ensure it returns to the occupant's setting within minutes when they return to the room. The room temperature varies exactly far enough to achieve maximum savings, while ensuring the occupant's comfort. For more information, please visit www.telkonet.com.

Statements included in this release may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve a number of risks and uncertainties such as competitive factors, technological development, market demand and the Company's ability to obtain new contracts and accurately estimate net revenues due to variability in size, scope and duration of projects, and internal issues in the sponsoring client. Further information on potential factors that could affect the Company's financial results, can be found in the Company's Registration Statement and in its Reports on Forms 8-K filed with the Securities and Exchange Commission (SEC).