

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

February 8, 2008

(Date of earliest event reported)

TELKONET, INC.

(Exact Name of Registrant as Specified in Its Charter)

Utah

(State or Other Jurisdiction of Incorporation)

000-31972

(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)).
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Item 1.01 Entry into a Material Definitive Agreement.

On February 13, 2007, Telkonet, Inc. entered into a Factoring and Security Agreement (the "Agreement") with Thermo Credit, LLC ("Thermo"), pursuant to which Thermo has agreed to lend to Telkonet, on a revolving basis, up to \$2,500,000. The Agreement has a two year term and is secured by substantially all of the Company's accounts receivable. The proceeds will be used for general working capital needs.

Item 3.02 Unregistered Sales of Equity Securities

On February 8, 2008, Telkonet, Inc. completed a private placement of 2.5 million shares of its common stock for aggregate gross proceeds of \$1.5 million. The proceeds of this private placement were primarily used to repay the Senior Promissory Note issued by Telkonet to GRQ Consultants, Inc. that became due on January 28, 2008.

The common stock issued in the offering was sold pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933 and/or Rule 506 of Regulation D promulgated thereunder on the basis that the purchasers are "accredited investors" as such term is defined in Rule 501 of Regulation D.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

99.1 Press Release dated February 14, 2008

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: February 14, 2008

By: /s/ Richard J. Leimbach

Richard J. Leimbach

Chief Financial Officer



For Immediate Release: February 14, 2008

NEWS RELEASE

Telkonet Completes Funding Arrangements

Company retires note and positions to meet demands of growing backlog

Germantown, MD, Telkonet, Inc. (AMEX:TKO), the leading provider of innovative, centrally managed solutions for integrated energy management, networking, building automation and proactive service across commercial, industrial and government applications, today announced the completion of several financial transactions designed to allow the company to continue to support its growing opportunities and accelerating revenue. The company has recently closed on a \$2.5 million accounts receivable financing agreement with Thermo Credit, LLC, a receivables funding company specializing in the telecommunications industry. The funding will allow increased flexibility in meeting working capital needs. On February 8, 2007, Telkonet made repayment in full on a \$1.5 million senior note payable, through the sale of 2.5 million shares of its common stock, which are subject to Rule 144 sales restrictions, to a private investor. There were no warrants or private placement fees involved in the transaction.

About Thermo Credit

Thermo Credit, LLC (www.thermocredit.com) is a financial services company focused exclusively on the telecommunications industry. Thermo Credit serves established, well-run companies that need capital to expand or improve their operations. The company provides asset based solutions, loans, lines of credit and capital investment programs.

For more information contact Seth Block at (504) 620-3101 or seth@thermocredit.com

About Telkonet

Telkonet (www.telkonet.com) specializes in integrated solutions for broadband data networking and energy management, including in-building powerline communications (PLC) technology. Headquartered in Germantown, Maryland, USA, Telkonet serves thousands of customers worldwide. Telkonet's technology innovation is underpinned by end-to-end quality of service and comprehensive customer support. Its portfolio includes:

- The revolutionary Telkonet iWire System™, converting sites' existing internal electrical infrastructures into an IP network backbone.
- The integrated EthoStream platform for wired and wireless high-speed Internet access (HSIA), differentiated by outstanding remote management tools and dedicated customer support facilities.
- Telkonet SmartEnergy, achieving 30% energy savings through intelligent in-room energy management.

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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).

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