
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **February 17, 2016**

TELKONET, INC.

(Exact name of registrant as specified in its charter)

Utah
(State or other jurisdiction
of incorporation)

000-31972
(Commission
File Number)

87-0627421
(IRS Employer
Identification No.)

20800 Swenson Drive, Suite 175
Waukesha, Wisconsin
(Address of principal executive offices)

53186
(Zip Code)

Registrant's telephone number, including area code: (414) 223-0473

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:

- 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 Material Definitive Agreement.

Effective as of February 17, 2016, Telkonet, Inc. (the “Company”) and its wholly owned subsidiary, EthoStream LLC, as co-borrowers (collectively, the “Borrowers”), entered into a First Amendment to Loan and Security Agreement (the “Amendment”) with Heritage Bank of Commerce, a California state chartered bank (the “Bank”). The Company and the Bank are parties to a certain Loan and Security Agreement (the “Loan Agreement”) dated as of September 30, 2014 referenced in a Current Report on Form 8-K filed with the Securities and Exchange Commission on October 2, 2014.

The Amendment extends the revolving maturity date from September 30, 2016 to September 30, 2018, unless earlier accelerated under the terms of the Amendment, and defines the 2016 EBITDA levels required to be achieved by the Company each fiscal quarter. All other terms of the Loan Agreement remain in full force and effect.

The foregoing description of the Amendment is not complete and is in all respects subject to the actual provisions of the Amendment, a copy of which has been filed as Exhibit 10.1 to this Current Report on Form 8-K and which is incorporated by reference herein.

Item 9.01 Financial Statements and Exhibit.

Exhibit No. Description

10.1 First Amendment to Loan and Security Agreement entered into as of February 17, 2016, among Telkonet, Inc., EthoStream LLC and Heritage Bank of Commerce.

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.

Dated: February 17, 2016

TELKONET, INC.

By: /s/ Jason Tienor
Jason Tienor
Chief Executive Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
10.1	First Amendment to Loan and Security Agreement entered into as of February 17, 2016, among Telkonet, Inc., EthoStream LLC and Heritage Bank of Commerce.

**FIRST AMENDMENT TO
LOAN AND SECURITY AGREEMENT**

This First Amendment to Loan and Security Agreement (the “Amendment”) is entered into as of February 17, 2016 by and among HERITAGE BANK OF COMMERCE (“Bank”), TELKONET, INC., and ETHOSTREAM LLC (“Borrowers,” and each, a “Borrower”).

RECITALS

A. Borrowers and Bank are parties in that certain Loan and Security Agreement dated as of September 30, 2015 (as the same may from time to time be further amended, modified, supplemented or restated, the “Agreement”).

B. Borrowers have asked to amend the Agreement. Bank is willing to do so, on the terms and conditions and in reliance upon the representations and warranties set forth in this Amendment.

AGREEMENT

1. Definitions. Capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Agreement.

2. Amendments to Agreement.

2.1 The defined term “Revolving Maturity Date” is amended to read as follows:

“Revolving Maturity Date” means September 30, 2018, subject to Section 6.9(c).

2.2 Section 2.5(b) is amended to read as follows:

(b) **Renewal Fee.** On each anniversary of the Closing Date prior to (but not including) the Revolving Maturity Date, a renewal fee equal to Ten Thousand Dollars (\$10,000), which shall be nonrefundable.

2.3 Clauses (b) and (c) of Section 6.9 are amended to read as follows:

(b) **2016 EBITDA.** Borrowers shall achieve a year-to-date EBITDA of at least the levels set forth below for the fiscal quarter periods indicated:

Fiscal Quarter Ending	Minimum Required YTD EBITDA
March 31, 2016	(\$636,000)
June 30, 2016	(\$32,000)
September 30, 2016	\$291,000
December 31, 2016	\$521,000

Notwithstanding the foregoing, if Borrowers deviate from the required levels by an amount that is less than \$100,000, Borrowers shall be deemed in compliance with Section 6.9(b).

(c) **Future EBITDA.** On or before November 30 of each year, Borrowers and Bank shall agree upon mutually agreeable EBITDA covenant levels for Section 6.9(b) for the next calendar year. It is understood that EBITDA shall be measured year to date. For example, EBITDA for the first quarter of 2016 shall be EBITDA for the period January 1, 2016 through and including March 31, 2016 and EBITDA for the second quarter of 2016 shall be EBITDA for the period January 1, 2016 through and including June 30, 2016. If Bank and Borrowers do not, on or before January 15, 2017, establish a mutually acceptable EBITDA level in respect of the covenant set forth in Section 6.9(b) for 2017, then the Revolving Maturity Date shall be February 15, 2017; and if Bank and Borrowers do not, on or before January 15, 2018, establish a mutual acceptable EBITDA level in respect of such covenant, than the Revolving Maturity Date shall be February 15, 2018.

3. The Agreement, as amended hereby, shall be and remain in full force and effect in accordance with its respective terms and hereby is ratified and confirmed in all respects. Except as expressly set forth herein, the execution, delivery, and performance of this Amendment shall not operate as a waiver of, or as an amendment of, any right, power, or remedy of Bank under the Agreement, as in effect prior to the date hereof. Borrowers ratify and reaffirm the continuing effectiveness of all agreements entered into in connection with the Agreement.

4. Borrowers represent and warrant that the representations and warranties contained in the Agreement are true and correct as of the date of this Amendment, and that no Event of Default has occurred and is continuing.

5. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument.

6. As a condition to the effectiveness of this Amendment, Bank shall have received, in form and substance satisfactory to Bank, the following:

- (a) this Amendment, duly executed by Borrowers;
- (b) payment of all Bank Expenses incurred through the date of this Amendment; and
- (c) such other documents, and completion of such other matters, as Bank may reasonably deem necessary or

appropriate.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the first date above written.

“Borrowers”

TELKONET, INC.

By: /s/ Jason L. Tienor
Name: Jason L. Tienor
Title: CEO

ETHOSTREAM, LLC

By: /s/ Jason L. Tienor
Name: Jason L. Tienor
Title: CEO

“Bank”

HERITAGE BANK OF COMMERCE

By: /s/ Karla Schrader
Name: Karla Schrader
Title: VP