

GRIMES DAVID W
Form 5
February 10, 2006

FORM 5

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

OMB APPROVAL

OMB Number: 3235-0362
Expires: January 31, 2005
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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 *
GRIMES DAVID W

(Last) (First) (Middle)

107 BONFIELD AVE.

(Street)

OXFORD, MD 21654

(City) (State) (Zip)

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

3. Statement for Issuer's Fiscal Year Ended (Month/Day/Year)
12/31/2005

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

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

6. Individual or Joint/Group Reporting

(check applicable line)

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

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) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|--|--|---|
| | | | | (A) Amount or (D) Price | | | |
| Common Stock par value \$0.001 | 01/17/2002 | Â | J4 ⁽¹⁾ | 3,721,918 D \$ 0 | 1,250,000 | D | Â |
| Common Stock par value \$0.001 | 06/07/2002 | Â | S | 10,000 D \$ 0.5 | 1,240,000 | D | Â |
| | 06/11/2002 | Â | S | 10,000 D \$ 0.5 | 1,230,000 | D | Â |

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| | | | | | | | | | |
|---|------------|---|---|--------|---|------------|-----------|---|---|
| Common Stock par value \$0.001 | | | | | | | | | |
| Common Stock par value \$0.001 | 06/12/2002 | Â | S | 10,000 | D | \$ 0.5 | 1,220,000 | D | Â |
| Common Stock par value \$0.001 | 06/17/2002 | Â | S | 10,000 | D | \$ 1 | 1,210,000 | D | Â |
| Common Stock par value \$0.001 | 06/19/2002 | Â | S | 10,000 | D | \$ 1 | 1,200,000 | D | Â |
| Common Stock par value \$0.001 | 07/03/2002 | Â | S | 80,000 | D | \$ 0.5 | 1,120,000 | D | Â |
| Common Stock par value \$0.001 | 07/05/2002 | Â | S | 10,000 | D | \$ 1 | 1,110,000 | D | Â |
| Common Stock par value \$0.001 | 08/09/2002 | Â | S | 25,000 | D | \$ 0.5 | 1,085,000 | D | Â |
| Common Stock par value \$0.001 | 08/13/2002 | Â | S | 25,000 | D | \$ 0.5 | 1,060,000 | D | Â |
| Common Stock par value \$0.001 | 08/15/2002 | Â | S | 50,000 | D | \$ 0.96 | 1,010,000 | D | Â |
| Common Stock par value \$0.001 | 10/17/2002 | Â | S | 10,000 | D | \$ 0.51 | 1,000,000 | D | Â |
| Common Stock par value \$0.001 | 10/21/2002 | Â | S | 1,000 | D | \$ 0.44 | 999,000 | D | Â |
| | 11/08/2002 | Â | S | 1,500 | D | | 997,500 | D | Â |

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| | | | | | | | | | | |
|---|------------|---|---|--------|---|------|---------|---|---|--|
| Common Stock par value \$0.001 | | | | | | \$ | | | | |
| | | | | | | 0.54 | | | | |
| Common Stock par value \$0.001 | 12/05/2002 | Â | S | 2,000 | D | \$ | 995,500 | D | Â | |
| | | | | | | 0.57 | | | | |
| Common Stock par value \$0.001 | 12/17/2002 | Â | S | 35,000 | D | \$ | 960,500 | D | Â | |
| | | | | | | 0.65 | | | | |
| Common Stock par value \$0.001 | 01/24/2003 | Â | S | 1,500 | D | \$ | 959,000 | D | Â | |
| | | | | | | 0.73 | | | | |
| Common Stock par value \$0.001 | 01/29/2003 | Â | S | 3,000 | D | \$ | 956,000 | D | Â | |
| | | | | | | 1.04 | | | | |
| Common Stock par value \$0.001 | 03/03/2003 | Â | S | 2,000 | D | \$ | 954,000 | D | Â | |
| | | | | | | 1.53 | | | | |
| Common Stock par value \$0.001 | 04/04/2003 | Â | G | 80,000 | D | \$ | 874,000 | D | Â | |
| | | | | | | 1.75 | | | | |
| Common Stock par value \$0.001 | 05/16/2003 | Â | S | 7,000 | D | \$ | 867,000 | D | Â | |
| | | | | | | 2.5 | | | | |
| Common Stock par value \$0.001 | 08/05/2003 | Â | A | 43,405 | A | \$ | 910,405 | D | Â | |
| | | | | | | 0.55 | | | | |
| Common Stock par value \$0.001 | 10/02/2003 | Â | S | 15,000 | D | \$ | 895,405 | D | Â | |
| | | | | | | 2 | | | | |
| Common Stock par value \$0.001 | 10/03/2003 | Â | S | 10,000 | D | \$ | 885,405 | D | Â | |
| | | | | | | 2 | | | | |
| | 11/17/2003 | Â | S | 10,000 | D | | 875,405 | D | Â | |

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|---|------------|---|---|--------|---|------------|---------|---|---|
| Common Stock par value \$0.001 | | | | | | \$ 2.51 | | | |
| Common Stock par value \$0.001 | 11/18/2003 | Â | S | 10,000 | D | \$ 2.34 | 865,405 | D | Â |
| Common Stock par value \$0.001 | 04/12/2004 | Â | S | 3,600 | D | \$ 5.12 | 861,805 | D | Â |
| Common Stock par value \$0.001 | 04/13/2004 | Â | S | 6,100 | D | \$ 5.08 | 855,705 | D | Â |
| Common Stock par value \$0.001 | 04/23/2004 | Â | S | 300 | D | \$ 4.09 | 855,405 | D | Â |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

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(9-02)

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 Underlying (Instr. 3 and 4) |
|--|--|--------------------------------------|--|--------------------------------|---|-----------|--|-----------------|--|
| | | | | | (A) | (D) | Date Exercisable | Expiration Date | |
| Call Option | \$ 1 | 06/06/2002 | Â | A | 250,000 | Â | 06/06/2002 | 06/02/2012 | Common |
| Call Option | \$ 1 | 07/06/2002 | Â | A | 250,000 | Â | 07/06/2002 | 07/06/2012 | Common |
| Call Option | \$ 1 | 07/26/2002 | Â | A | 500,000 | Â | 07/26/2002 | 07/26/2012 | Common |
| Call Option | \$ 1 | 12/31/2002 | Â | H | Â | 1,000,000 | 12/31/2002 | 12/31/2002 | Common |
| Call Option | \$ 1 | 01/01/2003 | Â | A | 825,000 | Â | 10/01/2005 | 10/01/2006 | Common |

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 |
|-------------------------------------|------------|

__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) 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. 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.