

March 2, 2007



Telkonet Executes Definitive Agreement with Smart Systems International

GERMANTOWN, Md.--

Telkonet, Inc. (AMEX:TKO), the leader in providing in-building broadband access over existing electrical wiring, today announced that the Company has executed a definitive agreement with Smart Systems International (SSI) to acquire substantially all the assets of SSI for cash and Company common stock having an aggregate value of \$7,000,000. Telkonet anticipates this transaction to be completed within the next 30 days.

Founded in 1992, SSI, a leading energy management solution provider, has installed over 60,000 of its patented intelligent thermostat, smart packaged terminal air conditioner (PTAC) controller and wireless sensors in a wide range of situations where individual room control is essential for occupancy comfort, such as lodging, education, multi-unit housing and commercial applications. SSI's solutions reduce energy consumption by eliminating unnecessary heating and cooling of unoccupied rooms using its patented fixed recovery time technology for ensuring that occupancy comfort is maintained while maximizing energy savings.

Telkonet plans to integrate its proprietary Telkonet iWire System(TM) with SSI's proprietary energy management products to enable networking, remote management, monitoring and analysis, thus creating a complete web-based Enterprise Energy Management System. The web-based energy management solution will provide an economical, efficient approach to reducing energy consumption by up to 30%.

About Smart Systems International

Smart Systems International is a technology and manufacturing leader of in-room energy controls for the lodging industry. Founded in 1992, the company is committed to providing quality products, integrated solutions to energy management and extraordinary service and support to its valued customers. The company leads the market with in-room energy management systems that are currently installed in hotels, motels, large resorts, office buildings, military bases and school districts throughout the country. For more information, go to www.2getsmart.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, energy management and a host of other IT services. 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).

Source: Telkonet, Inc.