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Telkonet Government Systems to Provide Secure Broadband Network Access to Hundreds of Department of Defense Locations

Program value estimated at \$4 million

GERMANTOWN, Md.--

Telkonet, Inc. (AMEX:TKO), the leader in providing powerline carrier (PLC) networking solutions using existing electrical wiring, today announced that it has been selected to deploy the company's IP-over-powerline local area networking (LAN) solution for a Department of Defense (DoD) related agency. The FIPS 140-2 validated Telkonet iWire System(TM) will give government personnel secure broadband network access. Telkonet began shipping product last week to support the start of installations this week. In total, Telkonet's system will be utilized at hundreds of locations throughout the United States. Telkonet estimates the value of this program at approximately \$4 million and will begin recognizing revenue this quarter.

Ronald W. Pickett, President and CEO of Telkonet stated, "Delivering an enterprise IP-over-powerline networking solution to the Department of Defense (DoD) IT environment, earning FIPS 140-2 for security, and program-wide deployment within one of the largest enterprise computer networks in the world were strategic goals embarked upon by the Telkonet Government Systems group over two years ago. In the shareholder letter issued earlier this year, Telkonet projected \$8.5 million in government sales for 2007. This award is part of the anticipated government sales. Anticipating these deployments, Telkonet has existing FIPS 140-2 inventory in stock to meet the demands of this rollout, and much more. These DoD shipments of existing, paid-for inventory will result in significant cash flow for the company.

"Winning a significant place in this expansive program enhances Telkonet's position as the leader in enterprise IP-over-powerline networking solutions to state, local and federal government markets and opens up further opportunities in the abundant government space - state and local buildings, schools, and federal projects."

Telkonet Government Systems deployed nearly a dozen government locations in March to evaluate the IP-over-powerline network solution, validate the installation and delivery system and commence planning of the deployment to several hundred locations. Telkonet expects to install approximately 30 Department of Defense sites per week, beginning this week. Moreover, Telkonet will continue to provide various IT services and support related to the deployment of its suite of networking products including network design, network integration, installation, certification, supply chain management, support and maintenance for the duration of the contract set to expire in 2010.

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, network 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.