

TELKONET INC
Form 10-Q
November 10, 2010

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934.

For the transition period from _____ to _____.

Commission file number 001-31972

TELKONET, INC.

(Exact name of Issuer as specified in its charter)

Utah
(State or Other Jurisdiction of Incorporation or
Organization)

87-0627421
(I.R.S. Employer Identification No.)

10200 Innovation Drive, Suite 300, Milwaukee, WI
(Address of Principal Executive Offices)

53226
(Zip Code)

(414) 223-0473

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting
company)

Indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 of the Exchange Act. Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 100,211,399 shares of Common Stock (\$.001 par value) as of November 10, 2010.

TELKONET, INC.

FORM 10-Q for the Quarter Ended September 30, 2010

Index

	Page
PART I. FINANCIAL INFORMATION	2
Item 1. Financial Statements (Unaudited)	2
Condensed Consolidated Balance Sheets: September 30, 2010 and December 31, 2009	2
Condensed Consolidated Statements of Operations and Comprehensive Income (loss): Three And Nine months Ended September 30, 2010 and 2009	3
Condensed Consolidated Statement of Equity January 1, 2010 through September 30, 2010	4
Condensed Consolidated Statements of Cash Flows: Nine months Ended September 30, 2010 and 2009	5
Notes to Unaudited Condensed Consolidated Financial Statements: September 30, 2010	7
Item 2. Management's Discussion and Analysis	22
Item 3. Quantitative and Qualitative Disclosures About Market Risk.	31
Item 4. Controls and Procedures	31
PART II. OTHER INFORMATION	31
Item 1. Legal Proceedings	31
Item 1A. Risk Factors	32
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	33
Item 3. Defaults Upon Senior Securities	33
Item 4. Submission of Matters to a Vote of Security Holders	33
Item 5. Other Information	33
Item 6. Exhibits	34

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

TELKONET, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	(Unaudited)	
	September 30,	December 31,
ASSETS	2010	2009
Current assets:		
Cash and cash equivalents	\$ 288,985	\$ 503,870
Accounts receivable, net	1,218,660	251,684
Inventories	502,121	906,583
Other current assets	387,331	246,936
Total current assets	2,397,097	1,909,073
Property and equipment, net	123,018	254,499
Other assets:		
Deferred financing costs, net	95,282	227,767
Goodwill and other intangible assets, net	13,714,532	13,895,792
Other assets	8,000	8,000
Total other assets	13,817,814	14,131,559
Total Assets	\$ 16,337,929	\$ 16,295,131
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,529,211	\$ 2,866,120
Accrued liabilities and expenses	1,343,218	2,271,838
Line of credit	-	387,000
Note payable – current	35,563	-
Note payable – related party	50,000	-
Convertible debentures, net of debt discounts of \$215,370	1,390,653	-
Derivative liability - current	698,310	-
Other current liabilities	103,440	169,606
Total current liabilities	6,150,395	5,694,564
Long-term liabilities:		
Convertible debentures, net of debt discounts of \$457,560	-	1,148,463
Derivative liability – long term	2,487,894	1,881,299
Note payable – long term	264,437	300,000
Other long term liabilities	42,561	50,791
Total long-term liabilities	2,794,892	3,380,553
Commitments and contingencies		
	850,889	732,843

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Redeemable preferred stock, Series A; par value \$.001 per share; 215 shares authorized, issued and outstanding at September 30, 2010 and December 31, 2009, net

Redeemable preferred stock, Series B; par value \$.001 per share; 267 shares authorized, issued and outstanding at September 30, 2010 and December 31, 2009, net	586,999	-
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Stockholders' Equity

Preferred stock, undesignated, par value \$.001 per share; 14,999,518 shares authorized; none issued and outstanding at September 30, 2010 and December 31, 2009

Common stock, par value \$.001 per share; 155,000,000 shares authorized; 100,211,399 and 96,563,771 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively

Additional paid-in-capital	121,966,681	120,132,088
Accumulated deficit	(116,112,138)	(113,741,481)
Total stockholders' equity	5,954,754	6,487,171

Total Liabilities and Stockholders' Equity \$ 16,337,929