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**PATENT AWARD VALIDATES ARKADOS' VISION OF POWERLINE
TECHNOLOGY EVOLUTION**

*Patented technology enables increased throughput of
powerline communications signals*

SAN FRANCISCO, October 3, 2006 – Arkados, Inc., the HomePlug® Applications Company™, today announced that the U.S. Patent and Trademark Office has granted to Arkados U.S. patent No. 7,106,177 B2. The newly issued patent is directed to a method and system for modifying modulation of powerline communication signals for maximizing data throughput rate. The patented technology can be used in virtually all advanced powerline systems to increase the transmission of broadband communications signals over standard electricity lines.

The art of the powerline communication is complex, comparable to wireless technologies such as WiFi and WiMAX. Home power lines were originally created for the distribution of power at 50-60Hz, and as a result, present significant challenges for carrying networking and multimedia signals that are typically transmitted at higher frequencies. To tap into this almost ubiquitous medium for networking and multimedia distribution purposes, Arkados developed an astute methodology to overcome these inherent limitations and utilize the limited bandwidth available in the most efficient way, thereby maximizing the range of audio and video services that can be offered to the consumer.

“This patent underscores not only the foresight of the design team at Arkados, but also champions our vision of the powerline technology evolution,” said Oleg Logvinov, Arkados president and CEO. “This is yet another perfect example of the exceptional engineering talent and industry-specific expertise that we alone can bring to the table, to enable our customers to quickly and cost-effectively deliver numerous full-featured, HomePlug products using our versatile ArkTIC™ platform.”

Arkados this week is showcasing several such products in the company’s whole-house connectivity demonstration at the Annual HomePlug Powerline Technology Conference, being held in Burlingame, Calif. on October 4-5. More information can be found at <http://2006tc.homeplug.org/en/about/index.asp>.

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About Arkados, Inc.

Arkados, the HomePlug® Applications Company™, delivers a universal platform that enables the effortless networking of home entertainment and computer devices using standard electricity lines. The company's system-on-chip solutions are uniquely designed to drive a wide variety of powerline-enabled consumer electronics and home computing products, such as stereos, radios, speakers, mp3 players, computers, televisions, gaming consoles, security cameras, and cable and DSL modems. Arkados customers can bring numerous sophisticated, full-featured products to market faster at a lower overall development cost using a single platform: the company's versatile and programmable ArkTIC™ platform. Arkados solutions leverage the benefits of HomePlug Powerline Alliance specifications, and can also be used for in-building and to-the-home (BPL) applications. Arkados Inc. is a wholly owned subsidiary of the Arkados Group, Inc. (OTCBB:AKDS). More information can be found at www.arkados.com.

This release includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934 that are based upon assumptions that in the future may prove not to have been accurate and are subject to significant risks and uncertainties, including statements as to the future performance of the company and the risks and uncertainties detailed from time to time in reports filed by the company with the Securities and Exchange Commission. Although the company believes that the expectations reflected in its forward-looking statements are reasonable, it can give no assurance that such expectations or any of its forward-looking statements will prove to be correct. Factors that could cause results to differ include, but are not limited to, successful performance of internal plans, product development acceptance, and the impact of competitive services and pricing and general economic risks and uncertainties.

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