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**ARKADOS AND DRD TO DRAMATICALLY ENHANCE WHOLE-HOUSE  
AUDIO QUALITY AND REACH**

*DRD audio technology used by Sharp, Panasonic and other electronics leaders to be combined with Arkados HomePlug connectivity for connected home applications*

**PISCATAWAY, NJ, December 18, 2006** – Arkados (OTC BB: AKDS), known as “the HomePlug® Applications Company, and Dedekind R&D (*DRD*), a Japanese professional audio enhancement DSP provider with a 30-year history, announced today that they are collaborating to create a number of product designs for digital audio applications.

Arkados, Inc. provides chips and software that enable whole-house music without running new wires. Several reference designs are planned that will couple *DRD*’s patented DSP technology with Arkados solutions for the two companies’ collective OEM and ODM customers.

*DRD* audio technology has a proven track record and has been used extensively by a number of top-tier consumer electronics powerhouses, such as Sharp, Panasonic, Fujisuten, Alpine, Clarion, and car manufacturers like Toyota and Mazda. *DRD*’s audio processor significantly enhances the sound quality of digital audio by substantially enhancing the dynamic range and generating **pure, natural, and powerful** acoustics by optimizing the performance of speakers.

Arkados is incorporating this technology into product blueprints for synchronized whole-house audio. Arkados provides chips and software that enable distribution of multi-channel whole-house music without running new wires. Based on HomePlug technology that transmits audio and video signals using a home’s existing electrical wires, the solution is free from interference due to various radio frequencies that may exist throughout the home.

“Pairing *DRD* technology with our whole-house synchronized audio connectivity is just one of the ways consumers will benefit from the strategic partnerships we’ve struck this year with industry leaders in a variety of consumer electronics markets,” said Oleg Logvinov, CEO and president of Arkados, Inc. “This collaboration will drive not only the sound quality for digital audio in the home, but also the ease with which users can access and listen to their favorite music anywhere in the house. Consumers will find extraordinary value in these products.”

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Arkados has already demonstrated its ability to enable key audio and video applications with the easy-to-use HomePlug technology. Audio applications include transmitting a single audio stream to multiple loudspeakers located throughout a home so that end-users can set up whole-home music systems with great ease.

“This is a great leap forward in the delivery of high-quality sound to multiple speakers throughout a home,” said Mr. Kakumoto, president and director of *DRD*. “We anticipate there will be a wide audience for products of this type, and we are pleased to be part of this revolution in digital music. *DRD* technology brings a new life of enjoyable sounds to every room in the house.”

The new reference designs will be made available to ODM and OEM manufacturers in the first quarter of 2007.

#### **About Dedekind R&D Co. Ltd.**

Dedekind R&D has been developing the leading algorithm in audio signal processing and focusing in the area of interface between human auditory sense and machine since 1977. “With our technology, you can hear each sound and enjoy the music like an aroma from a fine perfume,” says the President of DRD – Mr. Kakumoto. Many acoustic engineers have discovered for years that the valuable DRD functions solve the problem of Audio Acoustic design. The DRD technology has been widely applied in Hi-Fi system, Car Audio, LCD TV, Home Theater Systems, Portable Audio, by leading brands in the world.

#### **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, ArkTIC and Direct to Speaker are trademarks of Arkados Inc., a wholly owned subsidiary of the Arkados Group, Inc. HomePlug is a registered trademark of the HomePlug Powerline Alliance, of which Arkados is a member. More information can be found at [www.arkados.com](http://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

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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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