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ARKADOS AND MAINNET TEAM TO BRIDGE SMART POWER GRIDS WITH CONSUMER ELECTRONICS, ENABLING “GREEN ENTERTAINMENT”

Significant industry milestone employs the visionary usage of broadband powerline communications technology by combining Smart-Grid applications with consumer electronic devices in the home.

Piscataway, NJ, October 11, 2007 -- Arkados (OTC BB: AKDS), known as “the HomePlug® Applications Company,” and MainNet Communications, Ltd., a leader in the broadband over powerline (BPL) communications market, have entered into a strategic collaboration to create commercial hardware and software solutions for Smart-Grid applications. The two companies plan to jointly develop applications to improve the reliability and efficiency of electrical grids, connect consumer electronic devices over power lines, enable energy-saving initiatives, and deliver Broadband content to homes and offices.

The details of the collaboration include a financial arrangement that gives MainNet incentives to purchase 600,000 Arkados 200 Mb/s chipsets (HomePlug AV) over the next three years. Subject to the terms of the agreement and the completion of certain milestones, MainNet is expected to pre-pay up to \$500k for the delivery of Arkados solutions in calendar year 2008.

Combining MainNet's unique layer 2 system with Arkados' core technology, the planned applications will offer easy and seamless access to Internet-based services for the consumer over the existing electrical grid, while also acting as a window into energy savings by offering Command and Control energy applications. These applications help to save operational costs through energy conservation, and could contribute to a greener environment.

This collaboration represents an evolutionary step in an approach that provides utility companies with Advanced Metering Infrastructure (AMI) solutions, and consumers with access to broadband communication services. Thus, it meets with the US national policy to support the modernization of the electricity transmission and distribution system to incorporate digital information and control technology, and to share real-time pricing information with electricity customers to achieve Advanced Smart-Grid and continual environmental improvement in the production and distribution of electricity (Smart-Grid Facilitation Act of 2007).

“MainNet found in Arkados a strong technology partner with the same vision of what powerline communications technology can achieve,” said Joe Marsilli, CEO of MainNet. “Using Arkados' HomePlug chips with our BPL smart repetition mechanism, utility companies will get a future proof, easy to install, cost effective and secured Smart-Grid system. Concurrently, this scenario enables easy ways for consumers to access on-demand broadband services, which will help to further realize the vision of the connected home.”

“Arkados is very impressed with the rich collection of functions that MainNet's Smart-Grid systems enable,” said Oleg Logvinov, president and CEO of Arkados. “Not only do they have an extraordinary portfolio of solutions that detect, measure, and report on energy use, but they have added the additional

valuable component of interaction with the consumer. Their solutions enable consumer to be actively involved in energy saving, while using that same broadband communication channel for traffic updates, weather reports, stock quotes, and entertainment options. By bridging connected devices with connected services, Arkados and MainNet are moving toward implementing the vision that our companies share.”

Broadband powerline communications technology enables an Advanced Metering Infrastructure (AMI) for improved Smart-Grid applications, including demand response and demand-side management for more efficient use of energy resources, detecting power outages, tampering and theft, load balancing, and the integration of “smart” appliances and consumer devices. All are designed to achieve intelligent grid and maximized revenues for utility companies worldwide.

For more information on the types of entertainment and information products that can help to proliferate Smart-Grid applications into the home, please see <http://www.arkados.com/products.html>.

About Arkados, Inc.

Arkados, “the HomePlug Applications Company,” delivers a universal platform that enables 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® is a registered trademark and 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. Other names and brands may be claimed as the property of others. More information can be found at <http://www.arkados.com>.

About MainNet Communications Ltd.

MainNet Communications Ltd. is the leading turn-key solution and service provider of Broadband Powerline Communications (BPL), enabling fast return on investment in operating Smart-Grid applications, security and surveillance as well as broadband communication access over any electric network. Founded in 1999, the company owns BPL -related intellectual properties (IP) and is backed by strong equity investors. With the largest commercial BPL deployments worldwide, MainNet is well positioned for bringing the vision of Smart-Grids into reality. www.mainnet-plc.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, the company’s ability to raise necessary financing, ability to attract and retain key personnel, timely delivery of inventory by the company’s contract manufacturers, timely product development and acceptance, and the impact of competitive services and pricing and general economic risks and uncertainties.

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