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**REGISTRANT TRANSMISSION AUTHORIZATION**

I have reviewed the Submission Data File page and attached EDGAR proof and find it to be correct and complete;

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Submission Type: **10-Q**

Company Name: **Ambient Corporation**

Job #: **57570**

Proof Date / Time: **5/15/2008 4:21 PM ET**

Authorized Signature: \_\_\_\_\_

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Document Name 1	exhibit101.htm
Document Type* 1	EX-10.1
Document Description 1	Exhibit 10.1
Document Name 2	exhibit31.htm
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**UNITED STATES  
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: **MARCH 31, 2008**  
or

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

For the transition period from: \_\_\_\_\_ to \_\_\_\_\_

**AMBIENT CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or Other Jurisdiction  
of Incorporation)

**0-23723**  
(Commission  
File Number)

**98-0166007**  
(I.R.S. Employer  
Identification No.)

**79 CHAPEL STREET, NEWTON, MASSACHUSETTS 02458**  
(Address of Principal Executive Office) (Zip Code)

**617-332-0004**  
(Registrant's telephone number, including area code)

**N/A**  
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

As of May 15, 2008, there were 254,615,704 shares of the issuer's common stock, par value \$0.001 per share, outstanding.

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\* The Balance Sheet at December 31, 2007 has been derived from audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. All other financial statements are unaudited.

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**FORWARD LOOKING STATEMENTS**

The following discussion should be read in conjunction with the financial statements and related notes contained elsewhere in this quarterly report on Form 10-Q. We make forward-looking statements in this report, in other materials we file with the Securities and Exchange Commission (the "SEC") or that we otherwise release to the public, and on our website. In addition, our senior management might make forward-looking statements orally to analysts, investors, the media, and others. Statements concerning our future operations, prospects, strategies, financial condition, future economic performance (including growth and earnings) and demand for our products and services, and other statements of our plans, beliefs, or expectations, including the statements contained in Item 2, "Management's Discussion and Analysis of financial condition," regarding our future plans, strategies and expectations are forward-looking statements. In some cases these statements are identifiable through the use of words such as "anticipate," "believe," "estimate," "predict," "expect," "intend," "plan," "project," "target," "continue," "can," "could," "may," "should," "will," "would," and similar expressions. You are cautioned not to place undue reliance on these forward-looking statements because these forward-looking statements we make are not guarantees of future performance and are subject to various assumptions, risks, and other factors that could cause actual results to differ materially from those suggested by these forward-looking statements. Thus, our ability to predict results or the actual effect of our future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on our operations and future prospects include, but are not limited to, our inability to continue operations; our inability to obtain necessary financing; the effect of a going concern statement by our auditors; changes in: economic conditions generally and our specific market areas, changes in technology, legislative or regulatory changes that affect us, the availability of working capital, changes in costs and the availability of goods and services, the introduction of competing products, changes in our operating strategy or development plans, our ability to attract and retain qualified personnel, and changes in our acquisition and capital expenditure plans. These risks and uncertainties, together with the other risks described from time to time in reports and documents that we file with the SEC, should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, performance or achievements. Indeed, it is likely that some of our assumptions will prove to be incorrect. Our actual results and financial position will vary from those projected or implied in the forward-looking statements and the variances may be material. Moreover, we do not assume the responsibility for the accuracy and completeness of these forward-looking statements. We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

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## PART I – FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

**AMBIENT CORPORATION**  
**(A Development Stage Company)**  
**CONSOLIDATED BALANCE SHEETS**

	<b>March 31,</b>	<b>December 31,</b>
	<b>2008</b>	<b>2007</b>
	(unaudited)	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 966,072	\$ 546,125
Marketable securities	525,000	-
Accounts receivable	74,633	193,406
Inventory	283,530	474,063
Prepaid expenses and other current assets	133,514	141,181
Total current assets	1,982,749	1,354,775
Property and equipment, net	440,790	481,129
Deferred financing costs, net	1,066,435	898,214
Prepaid licensing fees	62,797	81,997
Total assets	<u>\$ 3,552,771</u>	<u>\$ 2,816,115</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,185,413	\$ 1,013,609
Accrued expenses and other current liabilities	635,466	595,420
Convertible debt, current portion	-	103,500
Total current liabilities	1,820,879	1,712,529
<b>NON-CURRENT LIABILITIES</b>		
Convertible debt, less current portion (net of discount of \$9,830,961 and \$7,431,592)	2,669,039	2,568,408
Total liabilities	4,489,918	4,280,937
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$.001 par value;		
1,250,000,000 shares authorized; 255,615,704 and 255,615,704		
issued; 254,615,704 and 254,615,704 outstanding, respectively		
	255,615	255,615
Additional paid-in capital	116,222,413	113,181,348
Deficit accumulated during the development stage	(117,215,175)	(114,701,785)
Less: treasury stock; 1,000,000 shares at cost	(200,000)	(200,000)
Total stockholders' equity	(937,147)	(1,464,822)
Total liabilities and stockholders' equity	<u>\$ 3,552,771</u>	<u>\$ 2,816,115</u>

See Notes to Consolidated Financial Statements

**AMBIENT CORPORATION**  
**(A Development Stage Company)**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Three Months Ended March 31,		Cumulative From Inception To March 31, 2008
	2008 (Unaudited)	2007 (Unaudited)	2008 (Unaudited)
Revenues (including \$-0-, \$-0-, and \$325,000 from a related party)	\$ 63,642	\$ 1,768,200	\$ 5,025,659
Less Cost of goods sold (includes a reserve for obsolescence of \$286,821 in 2008)	342,870	1,271,439	4,401,525
Gross margin	(279,228)	496,761	624,134
Expenses			
Research and Development	859,245	955,092	20,036,470
Less - Participation by the Office of the Chief Scientist of the State of Israel	-	-	558,195
	859,245	955,092	19,478,275
Operating, general and administrative expenses (1)	745,557	906,939	28,284,874
Stock based compensation - net	114,868	68,165	18,163,859
Total expenses	1,719,670	1,930,196	65,927,008
Other operating income - gain on sale of fixed assets - related party	-	179,755	179,755
Operating loss	(1,998,898)	(1,253,680)	(65,123,119)
Interest expense	(171,690)	(131,886)	(2,798,216)
Amortization of beneficial conversion feature of convertible debt	(94,878)	(582,665)	(11,378,880)
Amortization of deferred financing costs	(263,729)	(710,631)	(22,081,449)
Interest income	15,805	26,424	700,821
Loss on sale of fixed assets	-	(5,599)	(5,599)
Legal settlement	-	-	(1,512,500)
Noncash financing expense	-	-	(1,600,000)
Write-off of convertible note receivable	-	-	(490,000)
Company's share in net losses of affiliate	-	-	(1,352,207)
Loss before minority interest and extraordinary item	(2,513,390)	(2,658,037)	(105,641,149)
Minority interest in subsidiary loss	-	-	25,000
Loss before extraordinary item	(2,513,390)	(2,658,037)	(105,616,149)
Extraordinary item - loss on extinguishment of debt	-	-	(9,778,167)
Net loss per share	(2,513,390)	(2,658,037)	(115,394,316)
Deemed dividends on convertible preferred stock	-	-	(1,820,859)
Net loss attributable to common stockholders	\$ (2,513,390)	\$ (2,658,037)	\$ (117,215,175)
Basic and diluted loss per share:			
Net loss before extraordinary item	\$ (0.01)	\$ (0.01)	
Extraordinary loss from extinguishment of debt	-	-	
Net loss	\$ (0.01)	\$ (0.01)	
Weighted average number of shares outstanding	254,615,704	207,726,691	
(1) Excludes non-cash, stock based compensation expense as follows:			
Research and development, net	\$ -	\$ -	\$ 1,454,192
Operating, general and administrative, net	114,868	68,165	16,709,667
	\$ 114,868	\$ 68,165	\$ 18,163,859

See Notes to Consolidated Financial Statements.

**AMBIENT CORPORATION**  
**(A Development Stage Company)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three Months Ended March 31,		Cumulative From Inception To March 31, 2008
	2008	2007	2008
	(Unaudited)	(Unaudited)	(Unaudited)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (2,513,390)	\$ (2,658,037)	\$ (115,394,316)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	69,647	97,589	1,572,433
Amortization of note discount	263,729	710,631	21,436,578
Amortization of beneficial conversion feature of convertible debt	94,878	582,665	11,378,880
Accretion of interest on notes payable	-	-	144,333
Write-off of stockholder advance to revenue	-	-	(325,000)
Financing, consulting and other expenses paid via the			
issuance of common stock and warrants	114,868	203,696	32,257,290
Cancellation of officer loans in settlement of employment contract	-	-	724,447
Gain on sale of fixed assets	-	(174,156)	(155,022)
Increase in net liability for severance pay	-	-	15,141
Accrued interest on loans and notes payable	-	-	210,016
Company's share in net losses of affiliates	-	-	1,352,207
Minority interest in subsidiary loss	-	-	(25,000)
Write-off of convertible note receivable	-	-	400,000
Write-down of long term investment	-	-	835,000
Write-off of fixed assets	-	-	136,066
Increase (decrease) in cash attributable to changes in assets and liabilities			
Accounts receivables	118,773	414,243	(54,108)
Inventory	190,533	(102,553)	(283,530)
Prepaid expenses and other current assets	7,667	41,385	(64,809)
Prepaid licensing fees	19,200	-	72,203
Accounts payable	171,804	(109,172)	1,461,708
Accrued expenses and other current liabilities	40,046	89,116	786,122
Net cash used in operating activities	(1,422,245)	(904,593)	(43,519,361)

**AMBIENT CORPORATION**  
**(A Development Stage Company)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of marketable securities	(525,000)		(525,000)
Loan provided to another company	-	-	(835,000)
Purchase of convertible promissory note	-	-	(400,000)
Investment in affiliated company	-	-	(375,000)
Additions to property and equipment	(29,308)	(106,013)	(2,231,498)
Proceeds from sale of fixed assets	-	194,997	238,097
Loans to officers	-	-	(2,137,677)
Repayment of loans to officer	-	-	1,431,226
Net cash provided by (used in) investing activities	(554,308)	88,984	(4,834,852)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from issuance of share capital	-	-	11,375,808
Proceeds from loans and advances	-	-	690,000
Proceeds from issuance of notes payable	2,500,000	-	15,860,000
Finance costs relating to issuance of notes payable	-	-	(1,014,400)
Proceeds from issuance of convertible debentures	-	-	28,455,133
Finance costs relating to issuance of debt	-	-	(847,500)
Repayment of convertible debentures	(103,500)	-	(4,661,850)
Repayment of notes payable	-	-	(2,944,333)
Proceeds of loans from shareholders, net	-	-	919,600
Repayment of loans from shareholders	-	-	(968,000)
Proceeds from long-term bank credit	-	-	95,969
Repayment of long-term bank credit	-	-	(87,996)
Decrease in short term bank credit	-	-	(32,004)
Proceeds from public offering of common stock	-	-	3,433,027
Repayment of short-term debt	-	-	(250,000)
Proceeds from short-term debt	-	-	274,038
Loans to affiliate	-	-	(977,207)
Net cash provided by financing activities	2,396,500	-	49,320,285

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** 419,947 (815,609) 966,072

**CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR** 546,125 2,385,668 -

**CASH AND CASH EQUIVALENTS - END OF PERIOD** \$ 966,072 \$ 1,570,059 \$ 966,072

**Noncash financing and investing activities:**

Issuance of common stock upon conversion of debentures	\$ -	\$ 1,316,520	
Issuance of common stock in lieu of interest	\$ -	\$ 135,531	
Deemed dividends on convertible preferred stock	\$ -	\$ -	\$ 1,820,859

**Supplemental disclosures of cash flow information:**

Cash paid during the period for:

Interest	\$ 11,283	\$ 143	
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See Notes to Consolidated Financial Statements.

**AMBIENT CORPORATION**  
**(A Development Stage Company)**  
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying unaudited consolidated financial statements of Ambient Corporation and its subsidiary (collectively the "Company") have been prepared in accordance with generally accepted accounting principles accepted in the United States of America ("GAAP") for interim financial information and with Article 8-03 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Form 10-KSB for the year ended December 31, 2007, as filed with the Securities and Exchange Commission.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has sustained losses since its inception. These losses have produced operating cash flow deficiencies, and negative working capital. The Company expects to incur additional losses for the foreseeable future and will need to raise additional funds in order to realize its business plan. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Company's future operations are dependent upon the generation of additional revenues or management's ability to find sources of additional capital. The Company will require additional funds to execute our business plan and to realize our long range growth objectives. Management is seeking to raise the necessary capital through debt or equity issuances to both strategic and institutional investors. At the present time, we have no commitments for any additional funding and no assurance can be provided that we will be able to raise the needed capital on commercially reasonable terms.

The Company has been funding in part its operating cash flow deficit during fiscal year 2007 primarily from the proceeds of the private placements to an institutional investor of the Company's senior secured convertible promissory notes that it issued in July and November 2007, and January 2008, the net proceeds of which totaled approximately \$7.8 million. Additionally, in April 2008, the Company raised from such investor additional net proceeds of \$3.0 million from the placement to such investor of five-year warrants to purchase additional shares of the Company's common stock par value \$0.001 per share (the "Common Stock") and other consideration.

**NOTE 2 - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements," ("SFAS 157") which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements, but it does not require any new fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. SFAS 157 could impact how fair values are determined and assigned to assets and liabilities in any future acquisition.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 allows entities the option to measure eligible financial instruments at fair value as of specified dates. Such election, which may be applied on an instrument by instrument basis, is typically irrevocable once elected. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company does not expect SFAS 159 to have a material effect on the Company's consolidated results of operations or financial position.

In December 2007, the FASB issued FAS 141(R), "Business Combinations - a replacement of FASB Statement No. 141", which significantly changes the principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquire. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This statement is effective prospectively, except for certain retrospective adjustments to deferred tax balances, for fiscal years beginning after December 15, 2008. This statement will be effective for the Company beginning in fiscal 2009. The Company is currently evaluating FAS 141(R), and has not yet determined the impact if any, FAS 141(R) will have on its consolidated results of operations or financial position.

In March 2008, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (“SFAS”) No. 161, “Disclosures about Derivative Instruments and Hedging Activities,—an amendment of FASB Statement No. 133” (“FAS 161”). FAS 161 requires enhanced disclosures about an entity’s derivative and hedging activities and thereby improves the transparency of financial reporting. The objective of the guidance is to provide users of financial statements with an enhanced understanding of how and why an entity uses derivative instruments; how derivative instruments and related hedged items are accounted for; and how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows. FAS 161 is effective for fiscal years beginning after November 15, 2008. Management is currently evaluating what impact FAS 161 will have on the Company’s consolidated financial statements, but it currently does not expect the effect to be material.

### NOTE 3 - NET LOSS PER SHARE

Basic earnings (loss) per share is computed by dividing net income (loss) applicable to common shares by the weighted-average of shares of Common Stock, outstanding during the period. Diluted earnings (loss) per share adjusts basic earnings (loss) per share for the effects of convertible securities, stock options and other potentially dilutive instruments, only in the periods in which such effect is dilutive. The following securities have been excluded from the calculation of net loss per share, as their effect would be antidilutive.

	<b>Shares of Common Stock Issuable upon Conversion/Exercise of as March 31,</b>	
	<b>2008</b>	<b>2007</b>
Stock options	32,074,500	22,964,500
Warrants	468,742,855	111,139,999
Convertible debentures	357,142,857	41,175,800

### NOTE 4 - SALES AND MAJOR CUSTOMERS

Revenues for the three months ended March 31, 2008 and 2007 were as follows:

	<b>March 31, 2008</b>	<b>March 31, 2007</b>
	(Unaudited)	(Unaudited)
Hardware	\$ 63,642	\$ 1,741,800
Software and services	-	26,400
	<u>\$ 63,642</u>	<u>\$ 1,768,200</u>

One customer accounted for 100% and 98% of the hardware revenue for the 2008 and 2007 periods respectively.

### NOTE 5 - INVENTORY

Inventory is valued at the lower of cost or market and is determined on first-in-first-out method. Inventory consists of the following:

	<b>March 31, 2008</b>	<b>December 31, 2007</b>
	(Unaudited)	
Raw materials	\$ 77,834	\$ 263,698
Finished goods	205,696	210,365
	<u>\$ 283,530</u>	<u>\$ 474,063</u>

### NOTE 6 - CONVERTIBLE DEBT

(i) On July 31, 2007, the Company entered into the Securities Purchase Agreement (the "Purchase Agreement") with an institutional investor (the "Investor") pursuant to which the Investor purchased the Company’s Secured Convertible Promissory Note in aggregate principal amount of \$7,500,000 (the "July 07 Note"). The outstanding principal amount of the July 07 Note was originally convertible at the option of the holder at any time and from time to time into shares of Common Stock originally at a conversion price of \$0.075 per share of Common Stock, subject to certain adjustments.

Under certain conditions, the Company is entitled to require the July 07 Note holder to convert all or a part of the outstanding principal amount of the July 07 Note. If the closing sale price of the Company's Common Stock as quoted on the OTC Bulletin Board is more than \$0.375 (which amount may be adjusted for certain capital events, such as stock splits) on each of fifteen consecutive trading days, then, subject to the conditions specified below, within five trading days after the last day in such period, the Company may, at its option (exercised by written notice to the holder of the July 07 Note), require such holder to convert all or any part of the July 07 Note on or before a specified date. Conversion on the date specified shall be at the conversion price then in effect. The July 07 Note holder may continue to convert its note after the Company gives such notice. This right is available only if, on the date the Company gives notice of mandatory conversion and on each trading day thereafter through and including the date of mandatory conversion specified in the original notice from the Company, a registration statement covering the resale of the Common Stock underlying these securities is effective. The July 07 Note is redeemable at 110% of the principal and accrued interest in the event of certain change of control transactions, and is redeemable at 120% of the principal and accrued interest in the event of certain other triggering events, including (without limitation) events of default and certain other events that would impact the holder's ability to publicly re-sell the Common Stock issuable upon conversion of the July 07 Note.

Pursuant to the Securities Purchase Agreement, in connection with the issuance of the July 07 Note, the Company issued Common Stock Purchase Warrants to the Investor, exercisable through July 31, 2012, to purchase initially up to 150,000,000 shares of Common Stock, of which warrants for 50,000,000 shares ("Class A July 07 Warrants") had an original exercise price of \$0.06 per share and warrants for 100,000,000 shares ("Class B July 07 Warrants"; together with the Class A July 07 Warrants, the "July 07 Warrants") had an original exercise price of \$0.075. The July 07 Warrants contain provisions to adjust the exercise price and the share amount in the event that the Company issues Common Stock in an equity financing at a price less than the then applicable exercise price, in which case (i) the exercise price is to be reduced to the price at which such Common Stock was issued and (ii) the share amount is to be increased such that the aggregate exercise price payable, after taking into account the decrease in the exercise price is equal to the aggregate exercise price prior to such adjustment. The July 07 Warrants also may be exercised on a cashless basis on or after September 24, 2008 if at the time of exercise there is no effective registration statement covering the shares issuable upon exercise of the Warrants. In connection with the financing, the Company paid fees to a placement agent of \$570,000 and issued warrants to purchase up to 17,350,000 shares of the Company's Common Stock at a per share exercise price of \$0.075, of which 16.6 million shares were later re-priced to \$0.045 in the subsequent financing. The Company originally undertook to file, by December 28, 2007, a registration statement (the "Registration Statement") covering the Common Stock underlying the July 07 Note and the July 07 Warrants. Under certain circumstances, the Company will be obligated to pay liquidated damages to the holders of the July 07 Note if the Registration Statement is filed late and/or is not declared effective by the Securities and Exchange Commission within the earlier of (i) five days after notice by the Securities and Exchange Commission that the registration statement may be declared effective or (ii) March 29, 2008.

In connection with an additional investment made by this Investor as discussed below, these dates have been extended. Similar payments will be required if the registration is subsequently suspended beyond certain agreed upon periods. In addition, for one year following the closing, the Investor has the right to participate in the Company's future equity or equity-linked financings, subject to certain exempt issuances.

For financial reporting purposes, the Company recorded a discount of \$3,959,362 to reflect the value of the warrants and in accordance with EITF No. 00-27, an additional discount of \$ 2,310,886 to reflect the beneficial conversion feature of the 2007 Convertible Promissory Notes. The discounts are being amortized to the date of maturity unless converted earlier.

(ii) On November 1, 2007, the Company entered into a Securities Purchase Agreement (the "November 2007 Purchase Agreement") with the Investor pursuant to which the Investor purchased the Company's Secured Convertible Promissory Note in the principal amount of \$2,500,000 (the "November 07 Note"). The November 07 Note has a term of three years and becomes due on November 1, 2010. The outstanding principal amount of the November 07 Note was originally convertible at the option of the holder at any time and from time to time into shares of Common Stock originally at a conversion price of \$0.045 per share of Common Stock.

In connection with the issuance of the November 07 Note, the Company issued Common Stock purchase warrants (the "November 07 Warrants") to the Investor, exercisable through October 31, 2012, to purchase initially up to 83,333,334 shares of Common Stock, of which warrants for 27,777,778 shares had an original exercise price of \$0.045 per share and warrants for 55,555,556 shares had an original exercise price of \$0.05 (in each case the "Exercise Price"). Except as otherwise specified below, the investment by the Investor under the November 2007 Purchase Agreement was made on terms substantially similar to those contained in the Purchase Agreement entered into in July 2007. Amounts owing under the November 07 Note are also secured by substantially all of the assets of the Company.

In connection with the investment, the Company and the Investor agreed to amend the Purchase Agreement to adjust the conversion price of the July 07 Note to \$0.045 per share and to adjust the exercise price of the Class A July 07 Warrants to \$0.045 per share and of the Class B July 07 Warrants to \$0.05 per share. In addition, the Company and the Investor agreed that the (i) Company's obligation to file a registration statement covering the Common Stock underlying the July 07 Note, November 07 Note, July 07 Warrants and November 07 Warrants may be performed on or before January 27, 2008 and (ii) the Company's obligation to pay liquidated damages in respect of delayed effectiveness of such registration statement does not commence until April 28, 2008. In connection with an additional investment made by this Investor as discussed below, these dates have been extended.

For financial reporting purposes, the Company recorded a discount of \$1,127,634 to reflect the value of the November 07 Warrants and in accordance with EITF No. 00-27, an additional discount of \$294,301 to reflect the beneficial conversion feature of November 07 Note. The discounts are being amortized to the date of maturity unless converted earlier.

(iii) On January 15, 2008, the Company entered into a Securities Purchase Agreement (the "January 2008 Purchase Agreement") with the Investor pursuant to which the Investor purchased the Company's Secured Convertible Promissory Note in the principal amount of \$2,500,000 (the "January 08 Note"). The January 08 Note has a term of three years and becomes due on January 15, 2011. The outstanding principal amount of the January 08 Note is convertible at the option of the holder at any time and from time to time into shares of Common Stock originally at a conversion price of \$0.035 per share of Common Stock.

In connection with the issuance of the January 08 Note, the Company issued Common Stock purchase warrants (the "January 08 Warrants") to the Investor, exercisable through January 15, 2013 to purchase initially up to 107,142,857 shares of Common Stock at an exercise price of \$0.035 per share. Except as otherwise specified below, the investment by the Investor under the January 2008 Purchase Agreement was made on terms substantially similar to those contained in the Purchase Agreement entered into in July 2007. Amounts owing under the January 08 Note are also secured by substantially all of the assets of the Company.

In connection with the investment, the Company and the Investor agreed to amend the Purchase Agreement to adjust the conversion price of the July 07 and November 07 Note to \$0.035 per share and to adjust the exercise price of the Class A and Class B July 07 and November 07 Warrants to \$0.035 per share. In addition, the Company and the Investor agreed that the (i) Company's obligation to file a registration statement covering the Common Stock underlying the July 07 Note, November 07 Note, July 07 Warrants and November 07 Warrants may be performed on or before January 27, 2008 and (ii) the Company's obligation to pay liquidated damages in respect of delayed effectiveness of such registration statement does not commence until April 28, 2008. Following the consummation in April 2008 by the Investor of an additional investment in the Company, these dates have been further extended and the per share exercise price of each of the July 07 Warrants, the November 07 Warrants and the January 08 Warrants have been adjusted.

For financial reporting purposes, the Company recorded a discount of \$1,459,189 to reflect the value of the warrants and in accordance with EITF No. 00-27, an additional discount of \$1,040,811 to reflect the beneficial conversion feature of January 08 Note. The discounts are being amortized to the date of maturity unless converted earlier.

In connection with the financing, the Company issued, as compensation to a registered broker dealer, warrants to purchase up to 14,999,999 shares of the Company's Common Stock at a per share exercise price of \$0.035.

On April 23, 2008, the Company entered into a Securities Purchase Agreement (the "April 08 Purchase Agreement") with the Investor referred to in Note 6 above pursuant to which the Company issued to the Investor, in consideration of \$3,000,000, warrants (the "April 2008 Warrants"), exercisable through April 2013, to purchase up to 135,000,000 shares of the Company's Common Stock, at a per share exercise price of \$0.001. In connection with the issuance of the April 2008 Warrants, the per share exercise price of the previously issued July 07 Warrants, November 07 Warrants and January 08 Warrants has been reset to \$0.001 (from \$0.035). The number of shares issuable upon exercise of these warrants was not adjusted and the conversion price of the July 07 Notes, the November 07 Notes and the January 08 Notes (collectively, the "Warrants") (hereinafter, collectively, the "Notes") has not been reset and such notes remain convertible at a per Common Stock share price of \$0.035. Unlike the previous financings, the April 2008 financing did not include any debt component.

In addition, the Company and the Investor agreed to amend the Registration Rights Agreement previously entered into in connection with the Notes to provide that (i) the Company's obligation to file a registration statement covering the Common Stock underlying the April 2008 Warrants, the Notes and the Warrants may be performed on or before December 15, 2008 and (ii) the Company's obligation to pay liquidated damages in respect of delayed effectiveness of such registration statement does not commence until March 15, 2009.

**ITEM 2.****MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION**

THE FOLLOWING DISCUSSION SHOULD BE READ IN CONJUNCTION WITH OUR FINANCIAL STATEMENTS AND THE NOTES THERETO. SOME OF OUR DISCUSSION IS FORWARD-LOOKING AND INVOLVES RISKS AND UNCERTAINTIES. FOR INFORMATION REGARDING RISK FACTORS THAT COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, REFER TO THE RISK FACTORS CONTAINED HEREIN AND THE RISK FACTORS SECTION OF OUR ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2007 ON FORM 10-KSB.

**OVERVIEW**

Ambient Corporation ("Ambient", the "Company" "we or "us") is engaged in the design, development, commercialization, and marketing of Ambient Smart Grid™ communications equipment, technologies, and services. Ambient Smart Grid™ communications technology enables power line infrastructure landlords (electric utilities and property owners) to use their existing medium and low voltage distribution lines for the delivery of high-speed IP-based services.

Ambient's goal is to become a leading designer, developer and systems integrator of turn-key Ambient Smart Grid™ communication platforms, taking responsibility for network design, hardware delivery, installation support, operator training and network management of the utilities next generation digital distribution grid. Ambient has played a principal role in driving industry standardization efforts through leadership roles in industry associations and standards setting organizations, and has maintained strategic relationships with suppliers of critical communication components thus securing Ambient's access to manufacturing scalability.

We are currently conducting pilot demonstrations and deployments with major electric utilities, developing, demonstrating, and delivering Ambient Smart Grid™ utility applications. We continue to develop and extend our network design expertise, our hardware and software technology, and our deployment and network management capabilities, with the goal of generating revenues from all phases of Ambient Smart Grid™ communications network deployments.

We were incorporated under the laws of the state of Delaware in June 1996. To date, we have funded operations primarily through the sale of our securities, and we anticipate we will have to continue to do so for the foreseeable future. Further, we anticipate that we will continue to incur significant operating costs and losses in connection with the continued development and upgrade, marketing, and deployment of its products, technology, and services.

As of May 2008, we held 19 patents, with more than 183 independent claims allowed, primarily relating to Broadband over Power Line BPL and coupling technology and its applications. We have several other patent applications either allowed, pending, or under review by the USPTO and have also applied for corresponding patents in key markets worldwide. We plan to continue to expand our patent portfolio and, when necessary, aggressively protect our proprietary technologies. Ambient's communications node has been certified as fully compliant with current FCC rules including requirements for Access BPL equipment. Ambient participates in key BPL industry associations, and Ambient technical personnel currently chair key Institute of Electrical and Electronics Engineers ("IEEE") BPL safety and standardization committees.

Ambient Smart Grid™ pilot networks continued to operate on a limited scale in Akron, Ohio; Little Rock, Arkansas; Charlotte, North Carolina, and Manhattan and Westchester New York.

Throughout 2007, Ambient continued its evolution expanding our value proposition for our marquee customer. As we responded to the needs of the utilities we have been working with, we incorporated energy sensing capabilities and other communication interfaces into the Ambient Smart Grid™ platform. Dating back to 2000, Ambient has been focused on building communication platforms for utility applications over the existing power line infrastructure, initially using proprietary Broadband over Power Line BPL technology based upon DS2's first generation chipset. Since our initial BPL offering in 2000 Ambient has evolved considerably to remain at the forefront of utility applications communication infrastructure, or smart grid communications. In 2004, we upgraded to a 200 Mbps chipset that allowed for a stronger and faster communications network that supported more advanced utility applications. In 2005, we leveraged the advantages of using multiple communications technologies to begin the integration of wireless communications in our nodes. While we have integrated wireless technologies into our communication networks, we continue to believe in a communications network that is overlaid directly onto the distribution infrastructure to give a utility real-time insight into distribution grid operations. During 2007, Ambient integrated voltage sensing and current sensing into our product offerings allowing all nodes to give power quality data back to the utility. Due to natural evolution of the Ambient Smart Grid™ solution, our nodes presently use a wide range of technologies including but not limited to BPL, Wi-Fi and cellular to deliver a smart grid communication network overlaid upon the existing distribution network for utility applications. During 2008, Ambient will continue to focus on our core business of designing, developing and commercializing Ambient Smart Grid™ platform, equipment, technologies, and services. Our goal is to become a leading supplier of commercially deployed turn-key smart grid communication networks that deliver high-speed data services to electric utilities, commercial, governmental, and residential customers. We intend to generate revenues from the design of these networks, as well as the sales, installation, and support of the necessary equipment and technologies, and from the licensing of our network management system. In April 2008, Ambient received a purchase order with a maximum value of \$11 million, which included the licensing of Ambient's Network Management System, AmbientNMS™, and engineering support in building out an intelligent grid/intelligent-metering platform. We are currently in the process of fulfilling this purchase order.

Aided by our strategic relationships, we plan to continue development of the next generation of smart grid communications equipment and technology, including our network management system, AmbientNMS™, and to protect our intellectual property by expanding our patent portfolio, and, when necessary, aggressively protecting our proprietary technologies. In addition, we will continue to pursue a role as a leading systems designer, integrator, and coordinator to position Ambient to generate revenue from all phases of a smart grid deployment. We intend to continue to drive industry standardization efforts through leadership roles in industry associations such as the Universal Powerline Association and the United Power Line Council and standards setting organizations such as the Institute of Electrical and Electronics Engineers.

We intend to actively seek new opportunities for commercial pilots and work to bring new and existing networks to full commercialization. In 2008, our principal target customers will continue to be electric utilities in North America and elsewhere that will be deploying smart grid technology. We will work with our utility customers to drive the development of new utility and consumer applications that create the need for our Ambient Smart Grid™ networks.

As of March 31, 2008, we had an accumulated deficit of approximately \$117.2 million (which includes approximately \$68.2 million in stock-based charges and other non-cash charges).

## **RESULTS OF OPERATIONS**

### **COMPARISON OF THE THREE MONTHS ENDED MARCH 31, 2008 TO THE THREE MONTHS ENDED MARCH 31, 2007**

**REVENUE.** Revenues for the three months ended March 31, 2008 were \$63,642 compared to \$1,768,200 for the corresponding period in 2007. Revenues during the 2007 period were attributable to the sales of equipment, software and related network design and installation services from the purchase orders received in the fourth quarter 2006. Revenues for the 2008 period were attributable to the sale of equipment and revenues for the 2007 period were attributable to the sale of equipment, software and related network design, and installation services. Revenues for the 2008 and 2007 periods related to the sales of equipment totaled \$63,642 and \$1,741,800, respectively.

**COST OF GOODS SOLD AND GROSS PROFIT.** Cost of goods sold for the three months ended March 31, 2008 was \$342,870 compared to \$1,271,439 during the corresponding period in 2007. For the three months ended March 31, 2008, we incurred a gross loss of \$279,228, compared to a gross profit of \$496,761 for the corresponding period in 2007.

**RESEARCH AND DEVELOPMENT EXPENSES.** Research and development expenses consisted primarily of expenses incurred in designing, developing and field testing our smart grid solutions. These expenses consisted primarily of salaries and related expenses for personnel, contract design and testing services, supplies used and consulting, and license fees paid to third parties. Research and development expenses for the three months ended March 31, 2008 were \$859,245 compared to \$955,092 during the corresponding period in 2007.

**GENERAL AND ADMINISTRATIVE EXPENSES.** General and administrative expenses primarily consisted of salaries and other related costs for personnel in executive and other administrative functions. Other significant costs included professional fees for legal, accounting and other services. General and administrative expenses for the three months ended March 31, 2008 were \$745,557 compared to \$906,939 for the corresponding period in 2007. We expect that our general and administrative expenses will increase over the next twelve months as we fulfill the purchase order that we recently received in April 2008 and we intensify our efforts to market and commercialize our Ambient Smart Grid™ communication platforms.

**OTHER OPERATING EXPENSES.** A portion of our operating expenses were attributable to non-cash charges associated with the compensation of consultants and employees through the issuance of stock options and stock grants. Stock-based compensation is a non-cash expense and will therefore have no impact on our cash flows or liquidity. For the three months ended March 31, 2008, we incurred non-cash stock-based compensation expense of \$114,868 compared to \$68,165 for the corresponding period in 2007.

**OTHER OPERATING INCOME.** For the three months ended March 31, 2008, other operating income totaled \$0 compared to \$179,755 for the corresponding period in 2007. In March 2007, the Company sold equipment for a gain of \$179,755. The gain resulting from grant monies received from Con Edison in order to compensate the Company for equipment costs that were incurred in performing the Advanced Grid Management Pilot Phase with NYSERDA.

**NON-CASH EXPENSES.** For the three months ended March 31, 2008, we incurred non-cash expenses, excluding stock-based compensation to employees and consultants, of \$358,607 compared to \$1,293,296 for the corresponding period in 2007. These non-cash expenses relate to the amortization of the beneficial conversion feature and deferred financing costs incurred in connection with the placement of our convertible debentures and notes. These costs are amortized to the date of maturity of the debt unless converted earlier.

**INTEREST EXPENSE.** For the three months ended March 31, 2008, we incurred interest of \$171,690 compared to \$131,886 for the corresponding period in 2007. The interest related primarily to our Senior Secured 8% Convertible Debentures, which were issued in July through January 2008 and our 8% Convertible Debentures, which were issued in May 2006.

## **LIQUIDITY AND CAPITAL RESOURCES**

Cash balances totaled \$966,072 at March 31, 2008 and \$546,125 at December 31, 2007.

Net cash used in operating activities for the three months ended March 31, 2008 was \$1,422,245 and was used primarily to pay ongoing research and development and general and administrative expenses. We maintain an inventory of our products to facilitate the expansion of our ongoing pilot projects and deployments. Our inventory was valued at \$283,530 as of March 31, 2008.

Net cash used in investing activities totaled \$554,308 during the three months ended March 31, 2008 for the purchase of marketable securities and additions to property and equipment.

Net cash from financing activities totaled \$2,396,500 during the three month ended March 31, 2008. We received proceeds of \$2,500,000 from the issuance of our Secured Convertible Promissory Notes and repaid \$103,500 of notes that became due.

From inception through March 31, 2008, we have funded our operations primarily through the issuance of our securities.

In May 2006, we raised \$10 million from the private placement to certain accredited institutional and individual investors of our 8% Senior Secured Convertible Debentures ("2006 Convertible Debentures"). We received net proceeds of approximately \$6.85 million after payment of offering related fees and expenses and outstanding short-term loans. As of December 31, 2007, approximately \$103,500 was outstanding. On January 3, 2008, we paid down the remaining outstanding balances in cash.

In July 2007, we raised gross proceeds of \$7,500,000 from the private placement of our three year 8% Secured Convertible Promissory Note (the "July 2007 Note") to the investor that advanced to us a short-term loan in June 2007. At closing, we received net proceeds of approximately \$2.8 million after closing costs and repayment of the short term loan. The investor in this private placement has a lien on substantially all of our assets. The July 2007 Note was originally convertible into shares of our Common Stock at any time at a per share conversion rate of \$0.075. In November 2007, we raised additional net proceeds of \$2,500,000 from this investor upon its purchase of a three year Secured Convertible Promissory Note (the "November 2007 Note") that is in all material respects identical to the July 2007 Note except that the November 2007 Note is scheduled to mature in November 2010 and the per share conversion rate was set at \$0.045. Upon the consummation of the November 2007 financing, the conversion rate of the July 2007 Note was adjusted to \$0.045 per share.

In January 2008, we raised additional gross proceeds of \$2,500,000 from this investor upon its purchase of a three year Secured Convertible Promissory Note that is in all material respects identical to the July 2007 Note except that the January 2008 Note is scheduled to mature in January 2011 and the per share conversion rate was set at \$0.035. Following the funding, the conversion price of the July 2007 Note and the November 2007 Note was adjusted to \$0.035.

On April 23, 2008, we raised from the investor referred to in the preceding paragraph \$3,000,000 from the issuance of warrants (the "April 2008 Warrants"), exercisable through April 2013, to purchase up to 135,000,000 shares of our Common Stock at a per share exercise price of \$0.001. In connection with the issuance of the April 2008 Warrants, the per share exercise price of the warrants previously issued to such investor in connection with the placement of the July 2007 Note, the November 2007 Note and the January 2008 Note has been re-set to \$0.001 (from \$0.035). The number of warrant shares has not been adjusted. The conversion price of the notes has not been reset and such notes remain convertible at a per Common Stock share price of \$0.035. Unlike the previous financings, the current financing with the investor did not include any debt component.

The Company will require additional funds to execute our business plan and to realize our long range growth objectives. Management is seeking to raise the necessary capital through debt or equity issuances to both strategic and institutional investors. At the present time, we have no commitments for any additional funding and no assurance can be provided that we will be able to raise the needed capital on commercially reasonable terms. Our auditors included a "going concern" qualification in their auditors' report for the year ended December 31, 2007. Such a "going concern" qualification may make it more difficult for us to raise funds when needed. In addition, any financing can be expected to result in significant dilution.

#### **ITEM 4T. CONTROLS AND PROCEDURES**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our President and Chief Executive Officer (who also serves as our principal executive officer and principal financial and accounting officer) to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-15(e).

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with participation of management, including our President and Chief Executive Officer (who also serves as our principal executive officer and principal financial and accounting officer), of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our President and Chief Executive Officer concluded that our disclosure controls and procedures were effective.

During the quarter ended March 31, 2008, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

**PART II - OTHER INFORMATION****ITEM 6. EXHIBITS**

None

<b>Exhibit No.</b>	<b>Description</b>
<a href="#">10.1</a>	Commercial Deployment Agreement dated as of March 31, 2008 between Ambient Corporation and Duke Energy Carolinas, LLC. Pursuant to Rule 24 b-2 under the securities Exchange Act of 1934 the registrant has requested confidential treatment of the portion of this exhibit deleted from the filed copy
<a href="#">31</a>	Certification of John J. Joyce, Chief Executive Officer (Principal Executive officer and Principle Financial and Accounting Officer, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
<a href="#">32</a>	Certification of John J. Joyce, Chief Executive Officer (Principal Executive officer and Principle Financial and Accounting Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**AMBIENT CORPORATION**

Dated: May 15, 2008

By: /s/ John J. Joyce  
John J. Joyce  
Chief Executive Officer (Principal Executive  
Officer and Principal Financial and Accounting  
Officer)

[\*\*] indicates that information had been redacted and filed separately pursuant to a confidential treatment request filed with the Securities and Exchange Commission

Exhibit 10.1

**COMMERCIAL DEPLOYMENT AGREEMENT**

This **COMMERCIAL DEPLOYMENT AGREEMENT** (the “*Agreement*”) is entered into as of the 31 day of March, 2008 (the “*Effective Date*”), by and between DUKE ENERGY CAROLINAS, LLC (“*Duke*”), a North Carolina limited liability company having a principal place of business at 526 South Church Street, Charlotte, North Carolina, 28201 and AMBIENT CORPORATION (“*Ambient*”), a Delaware corporation having a principal place of business at 79 Chapel Street, Newton, MA 02458.

**WITNESSETH**

**WHEREAS**, Duke provides a wide range of energy related products including electricity generation and distribution to end-users through electric power lines, and Duke generates, transmits, distributes and sells electricity to approximately 3.8 million customers; and

**WHEREAS**, Duke is interested in establishing Smart Grid deployments within Duke’s service territory with Ambient’s Smart Grid solution; and

**WHEREAS**, Ambient is a utility communications solutions provider that develops and markets Smart Grid communications technologies and services which are designed to facilitate a comprehensive (end-to-end solution) for high speed transmission and reception of Internet Protocol data traffic for utility applications (“*Ambient’s Smart Grid Solution*”); and

**WHEREAS**, Duke Energy Corporation and Ambient entered into a Mutual Confidentiality and Non-Disclosure Agreement dated as of May 4, 2005 (the “*NDA*”); and

**WHEREAS**, Duke and Ambient desire to enter into a binding agreement with respect to supporting both a 1,500 device [\*\*] deployment, and a 50,000 home [\*\*] deployment; and

NOW, THEREFORE, in consideration of the terms and conditions hereafter set forth, the Parties hereto agree as follows:

**ARTICLE I  
DEFINITIONS**

As used herein, the following terms shall, unless the context otherwise required, have the following meanings ascribed to them:

1.1 “*Ambient’s Intellectual Property*” means all United States and foreign patents (including without limitation all renewals and extensions thereof), registrations and applications for registration of patents (including without limitation continuations, continuations-in-part, reissues and extensions thereof), applications for patent (including without limitation divisions thereof), trade secrets and other intellectual property rights, whether now existing or hereafter created, developed, arising or otherwise coming into being, that relate to or cover any part of Ambient Technology, including without limitation any intellectual property rights that could be violated, infringed or misappropriated by any copying, manufacture, use, performance, distribution or other exploitation of the Ambient Technology or part thereof.

1.2 “*Ambient Technology*” or “*Ambient Technologies*” shall mean any and all software, hardware, technology, equipment, know-how, algorithms, procedures, techniques, solutions, whether contained in a technology or technique owned by or exclusively licensed to Ambient or to an Ambient subsidiary or affiliate.

1.3 “*Confidential Information*” shall have the same meaning as in the NDA.

1.4 “*Duke’s Intellectual Property*” means all United States and foreign patents (including without limitation all renewals and extensions thereof), registrations and applications for registration of patents (including without limitation continuations, continuations-in-part, reissues and extensions thereof), applications for patent (including without limitation divisions thereof), trade secrets and other intellectual property rights, whether now existing or hereafter created, developed, arising or otherwise coming into being, that relate to or cover any part of Duke’s Technology, including without limitation any intellectual property rights that could be violated, infringed or misappropriated by any copying, manufacture, use, performance, distribution or other exploitation of Duke’s Technology or part thereof.

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1.5 **“Duke Technology” or “Duke Technologies”** shall mean any and all software, hardware, technology, equipment, know-how, algorithms, procedures, techniques, solutions, and work-arounds, whether contained in a technology or technique owned by or exclusively licensed (other than by Ambient) to Duke or to a Duke subsidiary or affiliate and contributed by Duke or any such subsidiary or affiliate. For avoidance of doubt, Duke Technology shall include all specifications, requirements and Confidential Information provided by Duke, or a Duke subsidiary or affiliate, to Ambient in connection with this Agreement or the Deployment.

1.6 **“NDA”** shall mean that certain Mutual Confidentiality and Non-Disclosure Agreement dated May 4, 2005, by and between Ambient and Duke Energy Corporation.

1.7 **“Newly Developed Technology”** shall mean any and all software, hardware, technology, equipment, know-how, inventions, discoveries, applications, algorithms, procedures, techniques, solutions, blue-prints, surveys, data, test results or outcomes and work-arounds, developed or created in the course of and pursuant to the [\*\*] and/or [\*\*] Deployments. Newly Developed Technology shall not include any improvement, derivation, extension, modification or enhancement of any copyright, patent, patent pending or patent application of Ambient, or any software, hardware, component, equipment or other intellectual property of Ambient, including the Ambient Technologies and the Ambient Intellectual Property, all of which shall remain the exclusive property of Ambient. Likewise, Newly Developed Technology shall not include any improvement, derivation, extension, modification or enhancement of any copyright, patent, patent pending or patent application of Duke, or any software, hardware, component, equipment or other intellectual property of Duke, including the Duke Technologies and the Duke Intellectual Property, all of which shall remain the exclusive property of Duke.

1.8 **“NMS License Agreement”** shall mean that certain Network Management System Software License Agreement dated September 12, 2006 by and between Ambient and Duke.

1.9 **“Party” or “Parties”** shall mean Ambient and Duke.

1.10 **“[\*\*] Deployment”** shall mean the assembly and delivery of enclosures to Duke which incorporate components specified and provided by Duke for the purposes of Advanced Meter Reading (AMR) in the [\*\*] area.

1.11 **“[\*\*] Deployment”** shall mean the delivery and integration of the required Ambient technology pursuant to Article III hereof, that will enable a two-way real-time communications platform for use by Duke that will service an initial 50,000 homes in the [\*\*] area.

1.12 **“Terms and Conditions”** shall mean the terms and conditions set forth on **Appendix B** annexed hereto which are part of this Agreement as if set forth herein.

## ARTICLE II

[\*\*]

2.1 **[\*\*] Services:** Ambient will assemble and deliver components specified and provided by Duke into enclosures for deployment on the utility distribution infrastructure. Duke will be responsible for selecting such components and delivering them to Ambient. Duke shall be responsible for the risk of loss of such components until Ambient receives and accepts them at such assembly location. Ambient warrants that the components [\*\*], installed in each enclosure will power up, as indicated by the respective lights on each component being illuminated, but makes no other warranty in connection with the [\*\*] Deployment.

2.2 **Pricing and Delivery:** Pricing for the [\*\*] Deployment is set forth in the attached **Appendix A-1** and a delivery schedule set forth in the attached **Appendix A-2**. The delivery schedule for Ambient’s performance for the [\*\*] Deployment will be automatically extended by that number of days (if any) which Duke is late in delivering the required components to Ambient.

2.3 **Payment:** Duke will pay Ambient for the services provided for the [\*\*] Deployment as set forth in Section 4.4.

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**ARTICLE III**

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3.1 **Services:** (a) Ambient will provide Duke the equipment and technical support necessary to implement Ambient's Smart Grid communications platform for 50,000 homes in the [\*\*] area. Duke is responsible for delivering to Ambient the [\*\*] in the quantities and on the delivery schedule specified on **Appendix A-5**. Duke shall be responsible for the risk of loss of such components until Ambient receives and accepts them at the assembly location.

(b) Each Party will exert commercially reasonable efforts including without limitation dedication of appropriate staff, facilities, equipment as well as access to facilities, sites, data processing and learning centers to carry out the [\*\*] Deployment in accordance with the provisions of this Agreement. Without limiting the foregoing, Duke agrees to provide line access, line crew installation, testing facilities and backhaul connection.

3.2 **Pricing and Delivery:** Ambient shall provide the equipment set forth on the attached **Appendix A-3** at the unit cost set forth thereon. Delivery of such equipment shall be in accordance with the timetable set forth on the attached **Appendix A-4**; provided that the delivery schedule for Ambient's performance for the [\*\*] Deployment will be automatically extended by that number of days (if any) which Duke is late in delivering the required components to Ambient. If Duke has met its obligations set forth in **Appendix A-5**, and in the event an Ambient delivery is not made within thirty (30) days of the date set forth in the timetable (as extended as set forth in the previous sentence, the invoiced amounts owing to Ambient on account of such delivery shall be reduced by liquidated damages of [\*\*]% of the invoice amount if delivery is late by [\*\*] and an additional [\*\*]% of the invoice amount if delivery is late by [\*\*], which the Parties agree is a fair and reasonable determination of the amount of actual damages which Duke would incur due to such a delay and that such liquidated damages do not constitute a penalty.

3.3 **Payment:** Duke will pay Ambient for the services provided for the [\*\*] Deployment as set forth in Section 4.4

**ARTICLE IV****COMMERCIAL TERMS AND CONDITIONS**

4.1 **License:** The terms and conditions of the NMS License Agreement shall govern Duke's right to use Ambient's Network Management Software ("**NMS**") in connection with the [\*\*] Deployment.

4.2 **Technical Support.** Except as provided in the next sentence, Ambient shall provide engineering and technical support as needed to design, support and assist in the completion of the [\*\*] Deployment at its expense. Ambient shall also supply an engineer at the [\*\*] Deployment site during the implementation of the [\*\*] Deployment, but not to exceed a period of six months, and Duke agrees to pay Ambient on the Effective Date a lump sum of \$\_FEE TO BE DETERMINED BY AMENDMENT, IF NECESSARY\_\_\_\_\_ for such engineer.

4.3 **Purchase Orders:** Duke shall submit purchase orders to Ambient on the Effective Date for each of the [\*\*] Deployment and the [\*\*] Deployment, which purchase orders will contain the Terms and Conditions. No other terms and conditions on any pre-printed forms or otherwise shall be binding on the Parties.

4.4 **Payments:**

(a) For the [\*\*] Deployment, Duke will pay Ambient the unit prices specified on Appendix A-1 within thirty (30) days of delivery of such units against an invoice therefor.

(b) For the [\*\*] Deployment, Duke will pay to Ambient the unit prices specified on Appendix A-3 against an invoice therefor within 5 days of receipt.

4.5 **Expenses:** Unless otherwise specified herein, each Party agrees to fully fund and pay for the costs and expenses of the performance of its responsibilities specified herein, including without limitation: (i) any and all salaries, employee benefits and other overhead costs for its own employees and facilities involved in the performance of this Agreement; (ii) any and all lodging, meal or travel expenses of its own employees; (iii) any and all costs and expenses for consultants whose use is not mutually agreed to in writing by both Parties; and (iv) any and all taxes, charges or fees arising out of its sole obligations or acts hereunder.

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4.6 **Personnel.** Each Party will dedicate sufficient personnel at all skill and management levels, including without limitation, project managers, engineers, research personnel and line personnel with appropriate technical skills to the [\*\*] Deployment and the [\*\*] Deployment effort to ensure that the [\*\*] Deployment and the [\*\*] Deployment (collectively, where applicable, the “*Deployments*”) are developed in accordance with the terms of this Agreement. All engineers and other staff which may be assigned by Ambient or Duke to the Deployments shall at all times be employees or consultants of Ambient or Duke, respectively. Each Party may, at its option and expense, employ the services of contractors or consultants to assist with either one or both of the Deployments. Such Party will be held fully responsible for the work and activities of each of its subcontractors, including but not limited to each subcontractor’s compliance with this Agreement and the NDA.

4.7 **Regulatory Compliance.** For the Deployments, Duke and Ambient will each be responsible for the undertaking of all measures to assure their own compliance with applicable laws and regulations. Notwithstanding anything to the contrary contained herein, Duke shall be responsible for all costs relating to other approvals or permits necessary for the implementation of the Deployments and for obtaining all such approvals and permits. Should Duke for any reason fail to obtain the requisite regulatory consents or approvals to fulfill its obligations hereunder, Duke may terminate this Agreement for its convenience pursuant to Section 7.2.3.

4.8 **[\*\*] Deployment Results.** Subject to the provisions of Article V hereof, each Party shall be entitled to full access to, and shall share with each other, all data, protocols, results and outcomes from the [\*\*] Deployment activities (the “*Results*”) undertaken pursuant to this Agreement. All such Results shall be deemed Confidential Information pursuant to this Agreement; provided, however that nothing herein shall prohibit Ambient from utilizing the Results in the deployment on behalf of other customers.

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## **ARTICLE V PROPRIETARY RIGHTS**

5.1 **Ambient Technology.** Duke acknowledges that the Ambient Technology is the sole property of Ambient, and Duke shall not obtain any interest of any kind in the Ambient Technology (or any patents or patents pending) by or through this Agreement except as otherwise provided herein. Any modifications, enhancements or improvements to the Ambient Technology or patents or patents pending (whether or not resulting from the implementation of this Agreement) which are discovered, invented or first reduced to practice by Duke and/or Ambient, or any of their respective sub-licensees, shall be the sole and exclusive property of Ambient. Duke acknowledges that this declaration is vital to Ambient and without it Ambient would not enter into this Agreement.

5.2 **Duke Technology.** Ambient acknowledges that the Duke Technology is the sole property of Duke, and Ambient shall not obtain any interest of any kind in the Duke Technology (or any patents or patents pending) by or through this Agreement except as otherwise provided herein. Any modifications, enhancements or improvements to the Duke Technology or patents or patents pending (whether or not resulting from the implementation of this Agreement), which are discovered, invented or first reduced to practice by Duke and/or Ambient, or any of their sub-licensees, shall be the sole and exclusive property of Duke. Ambient acknowledges that this declaration is vital to Duke and without it Duke would not enter into this Agreement.

5.3 **Newly Developed Technology.** (a) With respect to any technology that the Parties identify in writing for a joint development project by them, the Parties shall jointly own all title, rights and interests in and to any such Newly Developed Technology invented, discovered or otherwise created jointly by the employees of Ambient and Duke assigned to the Deployments pursuant to this Agreement, and either Party may use such Newly Developed Technology for any purpose whatsoever. Such Newly Developed Technology shall specifically include any and all patents, trademarks, copyrights, trade secrets and other proprietary rights of any kind whatsoever in the Newly Developed Technology and any and all works in any medium whatsoever that refer to, relate to, incorporate, include, analyze or utilize such Newly Developed Technology, including, but not limited to, improvements and modifications thereto and derivations there from. The Parties shall cooperate with each other to prepare all necessary patent and other filings and take all other actions reasonably necessary to reflect this joint ownership and equally share the costs thereof.

(b) With respect to any other Newly Developed Technology not identified by the Parties as a joint development project under Section 5.3 (a), Ambient shall own all title, rights and interests in and to any such Newly Developed Technology; provided that such Newly Developed Technology was invented, discovered or otherwise created solely by the employees of Ambient assigned to the Deployments pursuant to this Agreement and Ambient may use such Newly Developed Technology for any purpose whatsoever. Such Newly Developed Technology shall specifically include any and all patents, trademarks, copyrights, trade secrets and other proprietary rights of any kind whatsoever in the Newly Developed Technology and any and all works in any medium whatsoever that refer to, relate to, incorporate, include, analyze or utilize such Newly Developed Technology, including, but not limited to, improvements and modifications thereto and derivations there from. The Parties shall cooperate with each other to prepare all necessary patent and other filings and take all other actions reasonably necessary to reflect Ambient’s ownership.

(c) With respect to any other Newly Developed Technology not identified by the Parties as a joint development project under Section 5.3 (a), Duke shall own all title, rights and interests in and to any such Newly Developed Technology; provided that such Newly Developed Technology was solely invented, discovered or otherwise created by the employees of Duke assigned to the Deployments pursuant to this Agreement and Duke may use such Newly Developed Technology for any purpose whatsoever. Such Newly Developed Technology shall specifically include any and all patents, trademarks, copyrights, trade secrets and other proprietary rights of any kind whatsoever in the Newly Developed Technology and any and all works in any medium whatsoever that refer to, relate to, incorporate, include, analyze or utilize such Newly Developed Technology, including, but not limited to, improvements and modifications thereto and derivations there from. The Parties shall cooperate with each other to prepare all necessary patent and other filings and take all other actions reasonably necessary to reflect Duke's ownership.

5.4 Trade Secrets. Each of Ambient and Duke acknowledges that the Ambient Technology and the Duke Technology contain trade secrets which are the sole property of Ambient and Duke, respectively, and that the Newly Developed Technology, if any, will contain trade secrets which may be the property of Ambient and/or Duke, as the case may be, all of which are not in the public domain, and the unauthorized use or disclosure of which may cause irreparable harm to the respective owner of the technology.

5.5 Confidentially. Duke agrees to be bound by the terms of the NDA applicable to Duke Energy Corporation. Each of Ambient and Duke acknowledges that the NDA shall be in effect during the Deployments and thereafter, and that all Confidential Information disclosed by one Party hereto to the other Party hereto during the course of the Deployments and thereafter shall be subject thereto and that the definition of "PROJECT" therein shall include the Deployments as contemplated by this Agreement; *provided, however*, that a Party receiving Confidential Information from the other Party may reveal such information solely to its employees, contractors or consultants who require such disclosure in order for such receiving Party to be able to perform its obligations or exercise its rights under this Agreement; *provided, however*, that such contractors or consultants, as the case may be, who received such confidential information, agree in writing to refrain from making any unauthorized use or disclosure thereof. Duke may retain the Confidential Information disclosed by Ambient, subject to the confidentiality obligations of the NDA, following termination or completion of this Agreement.

5.6 Patent Rights. Subject to section 5.3, the Parties agree that all right, title and interest in any modifications, revisions, additions, customizations and enhancements to a Party's ("**Owner**") patents, trademarks, trade secrets and other intellectual property made during the course of the Deployments shall be owned exclusively by the Owner without reservation, and that all such worldwide ownership rights, title and interest in and to, all aspects thereof shall solely vest with and be owned by the Owner. Specifically, Duke shall not acquire any right, title or interest in or to the Ambient Technologies by virtue of this Agreement or any of the activities contemplated hereby, nor shall Ambient acquire any right, title or interest in or to the Duke Technologies by virtue of this Agreement or any of the activities contemplated hereby.

## ARTICLE VI WARRANTIES & LIABILITY

6.1 Warranties. EXCEPT AS OTHERWISE PROVIDED HEREIN OR IN THE TERMS AND CONDITIONS OR IN THE NMS LICENSE AGREEMENT, AMBIENT EXPRESSLY DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION THE IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

6.2 Limitation on Liability. IN NO EVENT SHALL ANY PARTY BE LIABLE TO THE OTHER PARTY IN RESPECT OF OR ARISING OUT OF THE PERFORMANCE AND/OR BREACH OF ITS OBLIGATIONS HEREUNDER FOR ANY INDIRECT, INCIDENTAL OR SPECIAL OR CONSEQUENTIAL DAMAGES, INCLUDING LOSS OF PROFITS, REVENUE, DATA OR USE, INCURRED BY THE OTHER PARTY WHETHER IN AN ACTION IN CONTRACT OR TORT, EVEN IF THAT PARTY OR ANY OTHER PERSON HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. NOTWITHSTANDING ANYTHING TO THE CONTRARY SET FORTH HEREIN OTHER THAN SECTION 7.2.3, IN NO EVENT SHALL EITHER PARTY'S LIABILITY TO THE OTHER PARTY HEREUNDER FOR ANY REASON (INCLUDING EACH PARTY'S OBLIGATIONS UNDER APPENDIX B, SECTION 10) EXCEED THE AMOUNTS PAID TO AMBIENT PURSUANT TO THIS AGREEMENT.

6.3 Solicitation of Other Party's Employees. Each Party agrees that during this Agreement and for a period of twelve (12) months after its termination, in whole or in part, it will not directly solicit (other than by general solicitation such as advertising in any media), the services of (i) an employee of the other Party or (ii) a former employee of the other Party whose employment with the other Party ended less than six (6) months prior to the date of such hiring (unless such employment ending was at the discretion of such employee's employer or such employee accepted a company severance or benefit package offered by the employee's employer), provided, however, that this provision shall not apply if the employer or former employer of such individual consents in writing to such solicitation.

**ARTICLE VII  
DEFAULT & TERMINATION**

7.1 **Effectiveness - Term of Agreement.** This Agreement shall become effective upon the Effective Date and, unless terminated as herein provided, shall continue in full force and effect until the first to occur of the following: (a) the completion of the [\*\*] Deployment (b) twelve (12) months from the Effective Date; and (c) earlier termination in accordance with the provisions hereof.

7.2 **Right to Terminate.**

7.2.1 Either Party may terminate this Agreement upon the other Party's breach of a representation, warranty, term, covenant or undertaking in this Agreement if, within thirty (30) days following the delivery of a written notice to the defaulting Party setting forth in reasonable detail the basis of such default and the remedial action required to be taken to rectify such default, the defaulting Party has not rectified such default to the reasonable satisfaction of the non-defaulting Party.

7.2.2 A Party hereto may, at its option, terminate this Agreement should the other Party:

- a) Admit in writing its inability to pay its debts generally as they become due.
- b) Make a general assignment for the benefit of creditors.
- c) Institute proceedings to be adjudicated a voluntary bankrupt, or consent to the filing of a petition of bankruptcy against it.
- d) Be adjudicated by a court of competent jurisdiction as being bankrupt or insolvent.
- e) Seek reorganization under any bankruptcy act, or consent to the filing of a petition seeking such reorganization; or
- f) Have a decree entered against it by a court of competent jurisdiction appointing a receiver, liquidator, trustee, or assignee in bankruptcy or in insolvency covering all or substantially all of such Party's property or providing for the liquidation of such Party's property or business affairs.

7.2.3 Duke may terminate this Agreement for its convenience, upon written notice to Ambient, provided, however, that in the event of such a termination, Duke shall be required to remit to Ambient all amounts owing thereto on account of equipment purchased by Ambient for the Deployments, services rendered by Ambient, and any and all other amounts that may be owing to Ambient as of the date of termination; provided, however, that Duke shall be entitled to a credit for the net amount realized by Ambient from the resale or other disposition of such equipment within one hundred eighty (180) days from notice of termination. Ambient shall use commercially reasonable efforts to maximize such credits.

7.3 **Survival.** Articles V, VI and VIII of this Agreement shall survive the termination and/or expiration of this Agreement for any reason whatsoever. Upon termination or expiration of this Agreement, Duke will pay Ambient all amounts due and owing under this Agreement, which remain unpaid.

**ARTICLE VIII  
MISCELLANEOUS**

8.1 **Relationship.** The relationship between Duke and Ambient is that of independent contractors and parties to certain licenses in accordance with this Agreement. Neither Party is in any way the agent or attorney in fact of the other, nor shall any Party or any of its respective agents or employees have any power or authority to assume any obligation of any kind, implied or expressed, on behalf of any other or to bind others to any contract, commitment or agreement whatsoever, or to make any representation on the others' behalf. This Agreement shall not be construed as constituting either Party as the partner or joint venture partner of the others, nor to create any form of legal association which would impose liability upon one Party for the acts or failures to act of the others.

8.2 **Force Majeure.** No Party shall be liable for reasonable delays in the performance of its obligations under this Agreement which result from causes beyond its reasonable control, including without limitation acts of God, terrorism, strikes, war, riot, civil disorder, embargo, acts of civil and military authorities, fire, earthquake, flood or inability to obtain labor or materials.

8.3 **Notices.** Any notice, demand or communication which under the terms of this Agreement must or may be given or made by Duke or Ambient shall be in writing and shall be given or made by facsimile with confirmation of receipt, via electronic email, certified or registered mail, return receipt requested, or any delivery services, requiring signature of receipt, addressed to the respective parties as noted above. Such notice, demand or other communication shall be deemed to have been given on the date confirmed as the actual date of delivery by the delivery service if sent by such service, and in the case of certified or registered mail seven business days following the date on which it was deposited postage prepaid in the United States mail (or the date shown on the actual mail receipt if it is earlier).

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The above addresses may be changed at any time by giving prior written notice as provided above.

8.4 Severability: Each provision of this Agreement or part thereof shall be severable. If, for any reason, any such provision or part thereof is finally determined, by a court or agency having valid jurisdiction, to be invalid and contrary to, or in conflict with, any existing or future law or regulation, such determination shall not impair the operation of or affect the remaining provisions of this Agreement, and such remaining provisions will continue to be given full force and effect and shall continue to bind the Parties.

8.5 Enforcement. The respective rights and remedies of each Party are cumulative, and no exercise or enforcement by either Party of any right or remedy hereunder shall preclude the exercise or enforcement by such Party of any other right or remedy hereunder, or which such Party is entitled by law to enforce. Each Party may waive any obligation of or restriction upon the other Party under this Agreement only in writing. No failure, refusal, neglect, delay, waiver, forbearance or omission of either Party to exercise any right under this Agreement or to insist upon full compliance by the other with its obligations hereunder shall constitute a waiver or any provision of this Agreement.

8.6 Entire Agreement. This Agreement, the NDA, and the NMS License Agreement, including all recitals in the preamble hereto and Appendices attached hereto, set forth the entire agreement and understanding between the Parties, contain all the understandings, inducements, promises and representations between the Parties relating to the matters referred to herein, and merge and supersede all prior agreements, commitments, arrangements, representations, writings and discussions between them related to the subject matter hereof, whether written or oral. Neither this Agreement nor any Appendix hereto may be modified or amended except by a written supplement, duly executed by each of the Parties. The Appendices attached hereto are incorporated by reference herein in their entirety. In the event of any inconsistency between the terms of this Agreement and the terms and provisions of any Appendix, this Agreement shall control.

[Signature page follows]

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**IN WITNESS WHEREOF**, each of the Parties has caused this Commercial Deployment Agreement to be duly executed on its behalf as of the Effective Date.

**DUKE ENERGY CAROLINAS, LLC**

By: /s/ **Ronald Reising**

Name: Ronald Reising

Title: Vice President

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**AMBIENT CORPORATION**

By: /s/ **John J. Joyce**

Name: John J. Joyce

Title: Chief Executive Officer

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**Appendix A-1: Equipment Summary: [\*\*] Proprietary and Confidential**

**Attached**

**Appendix A-2: Equipment Delivery Schedule: [\*\*] Proprietary and Confidential**

**Attached**

**Appendix A-3: Equipment Summary: [\*\*] Proprietary and Confidential**

**Attached**

**Appendix A-4: Equipment Delivery Schedule: [\*\*] Proprietary and Confidential**

**Attached**

**Appendix A-5: Duke Equipment Delivery Schedule**

**Attached**

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**Appendix A-1: Equipment Summary: [\*\*]****Proprietary and Confidential**

<b>Item</b>	<b>Model #</b>	<b>Description</b>	<b>Qty.</b>	<b>Unit Cost</b>	<b>Ext. Cost</b>
1	90-0021-002	Pole-mount Units	[**]	\$[**]	\$[**]
2	90-0021-001	Pad-mount Node Units	[**]	\$[**]	\$[**]
3	57-0072-003	Pad-mount Kit	[**]	\$[**]	\$[**]
4	ASSEMBLY	Assembly labor charge /unit	[**]	\$[**]	\$[**]
				<b>TOTAL</b>	<b>\$540,779.60</b>

**Assumptions:**

1. Minimum of [\*\*] weeks lead time from date of Purchase Order received for first units to be delivered
  2. Specific quantities of pole-mount [\*\*] or pad-mount [\*\*] units to be provided to Ambient no later than two weeks from date of Purchase Order received
  3. This proposal assumes Ambient is not performing any provisioning or configuration of [\*\*] and modems
-

**Appendix A-2: Equipment Delivery Schedule: [\*\*]****Proprietary and Confidential**

Item	Model #	Description	WEEK								Total Shipped	
			5	6	7	8	9	10	11	12		
1	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]		[**]	
2	90-0021-002	Pole-mount Units - Delivered to Duke			[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
3	90-0021-001	Pad-mount Node Units - Delivered to Duke			[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]

## Assumptions:

1. Minimum of [\*\*] weeks lead time from date of Purchase Order received for first units to be delivered
  2. Specific quantities of pole-mount [\*\*] or pad-mount [\*\*] units to be provided to Ambient no later than two weeks from date of Purchase Order received
  3. This proposal assumes Ambient is not performing any provisioning or configuration of [\*\*] and modems
-

## Appendix A-3: Equipment Summary: [\*\*]

## Proprietary and Confidential

Item #	Model #	Description	Qty.	Unit Cost	Ext. Cost
1	X-2000-Y1A	Pole-mount Node [**]	[**]	[**]	\$[**]
2	X-2000-Y1C	Pole-mount Node [**]	[**]	[**]	\$[**]
3	X-2000-G11	Pad-mount Node [**]	[**]	[**]	\$[**]
4	X-2000-G1E	Pad-mount Node [**]	[**]	[**]	\$[**]
5	NMS Server <sup>1</sup>	Server (includes hardware, NMS server license [**])	[**]	[**]	\$[**]
6	NMS Client	Client Licenses (simultaneous users)	[**]	[**]	\$[**]
7	NMS Node License <sup>2</sup>	Licenses for Nodes	[**]	[**]	\$[**]
					\$10,655,944.89

## Notes:

<sup>1</sup> If Duke exercises its option to provide the NMS Server hardware, the quoted price for each server will be reduced by \$[\*\*] (i.e., the \$[\*\*] price will be reduced to \$[\*\*])

<sup>2</sup> Per the terms of the "NMS License Agreement", "a maintenance Fee of [\*\*]% of the total list price of all licensed components" (the NMS servers and the Node Licenses) will be charged [\*\*] days from date of this agreement.

## Assumptions:

1. Minimum of [\*\*] weeks lead time from date of Purchase Order received for first units to be delivered
2. Appropriate quantities of [\*\*] and [\*\*] products must be made available to Ambient at least [\*\*] weeks prior to delivery of units [\*\*]



**Appendix A-5a: Duke Equipment Delivery Schedule: [\*\*]**

**Proprietary and Confidential**

	MAR	APR
[**]	1500	
[**]	960	540

**Appendix A-5b: Duke Equipment Delivery Schedule: [\*\*]**

**Proprietary and Confidential**

	MAR	APR	MAY	JUNE	JULY	AUG	SEP
[**]	[**]	[**]	[**]	[**]	[**]	[**]	[**]
[**]		[**]	[**]	[**]			



## Appendix B

### Terms and Conditions

*In the event of any inconsistency between the provisions of this Appendix B and the Agreement to which it is attached, the terms of the Agreement shall control. The Agreement, together with all Appendices hereto, is referred to herein as the "Agreement."*

#### **A. Terms and Conditions Applicable to the Purchase of Equipment**

**Warranty.** With respect to the [\*\*] Deployment only, Ambient represents and warrants that: (a) Ambient shall deliver good, exclusive and marketable title to the equipment described in the Agreement (the "**Equipment**") free and clear of all liens, security interests, claims, and encumbrances; (b) for a period of twelve months after acceptance, which must occur no later than thirty (30) days after delivery, the Equipment shall be free from defects in materials and workmanship and shall comply with all final written descriptions, specifications, drawings and representations Ambient has provided to Duke, including those specified in the Agreement; (c) except as authorized by Duke, in writing, all Equipment and materials furnished, delivered or installed by Ambient shall contain zero percent asbestos, (d) no federal, state, local or foreign statute, law, rule, regulation or order will be violated in manufacturing, selling or delivering of the Equipment. Ambient shall promptly repair or replace, at Ambient's election, all Equipment that does not comply with this warranty.

**1. Risk of Loss; Acceptance.** Ambient shall bear all risk of loss with respect to the Equipment until Duke actually receives and accepts the Equipment. Duke shall have the right to inspect the Equipment before accepting it. Duke shall have a reasonable period of time after it discovers a defect or nonconformity, not to exceed thirty (30) days, to reject the Equipment or to revoke its acceptance of the Equipment. If Duke rejects the Equipment or revokes its acceptance of the Equipment, and Ambient does not deliver conforming Equipment on or before the delivery date specified in the Agreement, Duke shall have the right, at Duke's election, to terminate all or a portion of this Agreement and obtain a prompt refund from Ambient of all payments Duke has made with respect to that portion of this Agreement Duke has terminated (but not for Equipment that has been received and accepted).

**2. Inspection.** Upon reasonable notice and during normal business hours and at Duke's expense, Duke shall have the right to place one inspector who must be a Duke employee in Ambient's facilities to inspect the Equipment and the manufacturing and assembly process for the Equipment and to inspect and copy all quality assurance and other records relating to the Equipment.

#### **B. Terms and Conditions Applicable to the Purchase of Services**

**4. Warranty.** With respect to the [\*\*] Deployment only, Ambient represents and warrants to Duke that: (a) Ambient shall perform the services described in the Agreement (the "**Services**") in a professional and workman like manner, and in full compliance with all final written descriptions, specifications, drawings and representations Ambient provides to Duke pursuant to the Agreement; (b) Ambient shall employ only competent and experienced personnel to perform the Services; (c) Ambient shall perform and complete the Services within the schedule established in the Agreement; and (d) no federal, state, local or foreign statute, law, rule, regulation or order will be violated in the performance of the Services.

**5. Safety and Security.** All Services performed by Ambient or any other person or entity on Duke's premises, and the design of all equipment and systems brought onto Duke's premises, shall comply fully with the occupational safety and health standards in 29 C.F.R. sections 1910 and 1926 and Duke's safety and security policies and regulations which have been provided in writing to Ambient, all as amended from time to time. At least two weeks before any Services are performed on Duke's premises, Ambient shall deliver to Duke: (a) a copy of Ambient's hazard communication program; (b) a list of all hazardous chemicals and other substances Ambient proposes to bring onto Duke's premises, if any, and the quantities of each; and (c) material safety data sheets for each chemical and substance on the list.

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### C. Terms and Conditions Applicable to All Purchases

**6. Insurance.** Ambient shall obtain, and shall provide to Duke certificates evidencing, the following insurance coverages: (a) worker's compensation insurance with statutory limits and employer's liability insurance with limits of at least \$ 1,000,000; (b) commercial general liability insurance having a limit of at least \$2,000,000 per occurrence for bodily injury and property damage, including but not limited to products and completed operations liability, owner's and contractor's protective, blanket contractual liability, personal injury liability, broad form property damage and explosion, and collapse and underground hazard coverage; (c) comprehensive automobile liability insurance having a limit of at least \$1,000,000 per occurrence for bodily injury and property damage, including but not limited to coverage for owned, hired and non-owned automobiles and contractual liability. This insurance shall have an AM Best rating of A-Vu or higher, shall be primary for all purposes and shall contain standard cross liability provisions. All insurance policies shall have an AM Best rating of A-Vu or higher, shall be endorsed to add Duke as an additional insured, except for workers compensation and employer's liability policies.

**7. No Additional Charges; Audit.** The prices specified in the Agreement are the total prices of the Equipment and Services to Duke, and Duke shall not be responsible for any other charges, fees, taxes or expenses. Ambient shall maintain complete and accurate books, records and accounts of all materials, services and costs relating to this Agreement, in accordance with generally accepted accounting principles for at least four years after Ambient receives the final payment under this Agreement. Duke, or Duke's representative, shall have the right to audit and copy those records at Duke's expense.

**8. Discounts.** All of Ambient's invoices shall refer to the appropriate Duke Purchase Order and contain its number. Any prompt payment discount Ambient offers Duke shall be determined using the date Duke receives a correct invoice. Duke's standard payment terms are forty-five days from receipt of the invoice.

#### **9. Intentionally omitted**

**10. Indemnification.** Ambient shall defend, indemnify and hold harmless Duke and its subsidiaries, affiliates, directors, officers and employees from and against all claims, demands, losses, damages, liabilities, obligations, and attorneys' and other professionals' fees and expenses arising out of or relating to: (a) any claim that the Equipment or Services or the Ambient Technology or Duke's use of the Equipment or Services or the Ambient Technology infringes any patent, copyright, trademark, trade name, service mark or other property right; (b) any third party claim resulting from any breach of warranty by Ambient; (c) any third party claim resulting from any claim that the Equipment is defective; and (d) any negligent act or omission of Ambient or its employees, contractors and agents in the performance of the Services, including any claim arising out of Ambient's failure to comply with applicable laws, rules, regulations or orders. In the case of a claim that the Equipment is infringing, Ambient shall have the right, at its sole expense, to (i) procure for Duke the right to continue using the Equipment (ii) modify the Equipment so that it is non-infringing but has the same functionality (iii) procure replacement Equipment that has substantially the same functionality, or if none of the above options is reasonably available (iv) terminate this Agreement and all licenses granted hereunder. Duke shall defend, indemnify and hold harmless Ambient and its subsidiaries, affiliates, directors, officers and employees from and against all claims, demands, losses, damages, liabilities, obligations, and attorneys' and other professionals' fees and expenses arising out of or relating to: (a) any third party claim resulting from any defect in Duke's electric power grid or other property of Duke utilized in the Agreement, (b) any claim that the Duke Technology infringes any patent, copyright, trademark, trade name, service mark or other property right; and (c) any negligent act or omission of Duke or its employees, contractors and agents in connection with the performance of the Agreement. Each Party shall give the other Party reasonable notice of any claim it contends falls within this indemnification.

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**11. Compliance with Laws.** Unless exempted by the applicable rules, regulations or orders, Ambient and Duke shall comply fully at all times relevant to this Agreement with all applicable laws, rules, regulations and court orders, including, but not limited to: (a) Executive Order 1 1246 issued by the President of the United States on September 24, 1965; (b) the Vietnam Era Veterans Readjustment Assistance Act of 1974 and applicable sections of 41 CFR and 48 CFR 52.222.35 relating to the employment of veterans; (c) Sections 503 of the Rehabilitation Act of 1 973 and 48 CFR 52.222-36; (d) regulations of the United States Occupational Safety and Health Act; (e) 15 U.S.C. 637(d)(3) and 48 CFR 52.219 (Aid to Small Business); (f) 48 CFR 52.202-1 (Definitions); (g) 48 CFR 52.203-3 (Gratuities); (h) 48 CFR 52.203-5 (Covenant Against Contingent Fees); (i) 48 CFR 52.203-6 (Restrictions on Subcontractor Sales to the Government); (j) 48 CFR 52.203-7 (Anti-Kickback Procedures); (k) 48 CFR 52.203-8 (Cancellation, Rescission, and Recovery of Funds for Illegal or Improper Activity); (l) 48 CFR 52.209-6 (Protecting the Government's Interest When Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment); (m) 48 CFR 52.212-5 (Contract Terms and Conditions Required to Implement Statutes or Executive Orders-Commercial Items); (n) 48 CFR 52.2 15-19 (Notification of Ownership Changes); (o) 48 CFR 52.222-21 (Prohibition of Segregated Facilities); (p) 48 CFR 52.222-26 (Equal Opportunity); (q) 48 CFR 52.223-13 (Certification of Toxic Chemical Release Reporting); (r) 48 CFR 52.223- 14 (Toxic Chemical Release Reporting); (s) 48 CFR 52.229-1 (State and Local Taxes); (t) 48 CFR 52.232-23 (Assignment of Claims); (u) all applicable rules, regulations and orders issued by the United States Secretary of Labor under any of the foregoing; and (v) all amendments of the foregoing that may be made from time to time. "CFR" is the Code of Federal Regulations.

**12. No Assignment.** Neither Ambient nor Duke shall assign, delegate or subcontract all or any portion of this Agreement without the prior written consent of the other Party. Any attempted assignment, delegation or subcontracting without the other Party's prior written consent shall be ineffective and void. Subject to the provisions of this Section, this Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and assigns. Notwithstanding the foregoing, Ambient shall assign this Agreement to a third party, acceptable to Duke, and enter into and execute an assignment and assumption agreement to complete its obligations pursuant to this Agreement and make deliveries per Appendix A-3 , if Ambient (a) ceases business operations, (b) dissolves, (c) fails to pay its debts generally as they become due, (d) makes an assignment for the benefit of creditors, (e) seeks relief under any bankruptcy, insolvency or similar law, or (f) is involved in any involuntary proceeding under any bankruptcy, insolvency or similar law.

**13. Arbitration.** Any claim or controversy arising out of or relating to this Agreement or the breach of this Agreement shall be resolved by binding arbitration in Charlotte, North Carolina by a single arbitrator under the rules of the American Arbitration Association then in effect, and judgment may be entered on the award by any court of competent jurisdiction. Each party shall be entitled to a reasonable amount of prehearing discovery as allowed by the Arbitrator; provided that the discovery period shall not exceed sixty days. This Agreement and any controversy relating to this Agreement shall be governed by the laws of the State of North Carolina, excluding its conflict of law principles. The United Nations Convention on the International Sale of Equipment is expressly excluded and shall not apply. Notwithstanding the forgoing, either Party shall be entitled to seek equitable relief, including injunctions, in a court of competent jurisdiction and without proof of actual damages or the posting of a bond or other security.

**14. Remedies.** The remedies in this Agreement are cumulative and in addition to all rights and remedies at law and in equity. No delay in exercising or failure to exercise a right of remedy shall impair that or any other right or remedy or be construed as a waiver of any default.

**15. Survival.** The provisions of sections 1, 4, 7, 10, 13, 14 and 15 of this Appendix B and all other provisions of this Appendix B providing for indemnification or limitation of or protection against liability shall survive the termination, cancellation, or expiration of this Agreement.

**16. Personnel.**

A. Ambient and Duke shall comply in all respects with all applicable immigration laws that may impact Ambient's or Duke's obligations under this Agreement, including the Immigration Reform and Control Act of 1986 and Form 1-9 requirements. Without limiting the generality of the foregoing, Ambient shall perform all required employment eligibility and verification checks and maintain all required employment records with respect to Ambient's employees.

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B. For Services performed at a Duke facility or requiring access to Duke's computer network, Ambient shall be responsible for conducting adequate predeployment screening of its employees, agents or independent contractors (and its subcontractors' employees, agents or independent contractors) prior to assigning such personnel to Duke. Ambient represents and warrants that it will complete predeployment screening with respect to such personnel and that it will not assign such personnel to perform Services at a Duke facility or provide access to the Duke computer network unless the pre-deployment screening does not reveal any information that Ambient, acting reasonably, considers would adversely affect such personnel's suitability for performance of the Services. Such pre-deployment screening shall include, at a minimum, an alcohol and five-panel drug test and a background check including: a Terrorist Watch Database Search; a Social Security trace; and a state and federal criminal history check for the previous five (5) years. Except where prohibited by law, Ambient will have the ongoing duty to inform Duke immediately upon learning that one of Ambient's or its subcontractors' employees, agents or independent contractors is not suitable for performance of the Services. Except where prohibited by law, should Ambient learn, after assigning an individual to provide Services at a Duke facility or requiring access to the Duke computer network, information that Ambient, acting reasonably, considers would adversely affect such personnel's suitability for performance of the Services, Ambient will promptly advise Duke and remove the individual immediately from performing Services at a Duke facility or on the Duke computer network.

C. Ambient and its subcontractors will not assign any person to provide Services known by Ambient to have been convicted of a felony involving dishonesty or a breach of trust or who is listed in the Terrorist Watch Database. Except where prohibited by law, Ambient will have the ongoing duty to inform Duke immediately upon learning that one of Ambient's or its subcontractors' employees, agents or independent contractors has been convicted of a felony or is listed in the Terrorist Watch Database. Except where prohibited by law, should Ambient learn after assigning an individual to provide Services that the individual has been convicted of a felony or is listed in the Terrorist Watch Database, Ambient will promptly advise Duke and remove the individual immediately from performing Services at a Duke facility or on the Duke computer network.

D. Duke, in its sole discretion, shall have the option of barring from Duke's property any Ambient (or subcontractor) personnel who Duke determines is not suitable.

**RULE 13a-14(a) / 15d-14(a) CERTIFICATION**

I, John J. Joyce, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 of Ambient Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 15, 2008

By: /s/ John J. Joyce  
John J. Joyce  
President and Chief Executive Officer (Principal  
Executive Officer and Principal Financial and  
Accounting Officer)

**EXHIBIT 32**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350 (AS ADOPTED  
PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002)**

In connection with the Annual Report of Ambient Corporation (the "Company") on Form 10-Q for the quarter ended March 31, 2008 (the "Report") filed with the Securities and Exchange Commission, I, John J. Joyce, President and Chief Executive Officer (Principal Executive Officer and Principal Financial and Accounting Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and,
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: May 15, 2008

By: /s/ John J. Joyce  
John J. Joyce  
Chief Executive Officer (Principal Executive  
Officer and Principal Financial and Accounting  
Officer)

A certification furnished pursuant to this Item will not be deemed "filed" for purposes of section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the small business issuer specifically incorporates it by reference.