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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: **JUNE 30, 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 August 14, 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 and Results of Operations, 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.

**PART I — FINANCIAL INFORMATION**

**ITEM 1 FINANCIAL STATEMENTS**

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

	<u>June 30,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>	(unaudited)	
Cash and cash equivalents	\$ 1,219,810	\$ 546,125
Marketable securities	125,000	-
Accounts receivable	317,077	193,406
Inventory	277,678	474,063
Prepaid expenses and other current assets	1,340,622	141,181
<b>Total current assets</b>	<b>3,280,187</b>	<b>1,354,775</b>
Property and equipment, net	422,203	481,129
Deferred financing costs, net	1,018,729	898,214
Prepaid licensing fees	57,743	81,997
<b>Total assets</b>	<b>\$ 4,778,862</b>	<b>\$ 2,816,115</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,189,834	\$ 1,013,609
Accrued expenses and other current liabilities	842,243	595,420
Convertible debt, current portion	-	103,500
<b>Total current liabilities</b>	<b>2,032,077</b>	<b>1,712,529</b>
<b>NON-CURRENT LIABILITIES</b>		
Convertible debt, less current portion (net of discount of \$10,714,403 and \$7,431,592)	1,785,597	2,568,408
<b>Total liabilities</b>	<b>3,817,674</b>	<b>4,280,937</b>
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Common stock, \$.001 par value; 2,000,000,000 and 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	120,622,835	113,181,348
Deficit accumulated during the development stage	(119,717,262)	(114,701,785)
Less: treasury stock; 1,000,000 shares at cost	(200,000)	(200,000)
<b>Total stockholders' equity (deficit)</b>	<b>961,188</b>	<b>(1,464,822)</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 4,778,862</b>	<b>\$ 2,816,115</b>

See Notes to Consolidated Financial Statements.

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

	Six Months Ended June 30,		Cumulative From Inception to June 30,	Three Months Ended June 30,	
	2008	2007	2008	2008	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues (includes \$-0-, \$-0-, \$325,000, \$-0-, and \$-0- from a related party)	810,865	\$ 1,936,184	\$ 5,772,882	\$ 747,223	\$ 167,984
Less Cost of goods sold (includes an inventory reserve of \$286,821, \$119,119, \$453,871, \$-0-, and 78,765)	948,500	1,412,229	5,007,155	605,630	140,790
Gross margin	(137,635)	523,955	765,727	141,593	27,194
<b>Expenses</b>					
Research and development	1,786,067	1,777,604	20,963,292	923,795	822,512
Less - Participation by the Office of the Chief Scientist of the State of Israel	-	-	558,195	-	-
	1,786,067	1,777,604	20,405,097	923,795	822,512
Operating, general and administrative expenses (1)	1,697,311	1,994,200	29,236,628	954,781	1,087,261
Stock based compensation, general and administrative	299,599	136,330	18,348,590	184,731	68,165
Total expenses	3,782,977	3,908,134	67,990,315	2,063,307	1,977,938
Other operating income - gain on sale of fixed assets – related party	-	179,755	179,755	-	-
Operating loss	(3,920,612)	(3,204,424)	(67,044,833)	(1,921,714)	(1,950,744)
Interest expense	(338,836)	(265,203)	(2,965,362)	(167,146)	(133,317)
Amortization of beneficial conversion feature of convertible debt	(205,700)	(1,158,282)	(11,489,702)	(110,822)	(575,617)
Amortization of deferred financing costs	(577,863)	(1,513,370)	(22,395,583)	(314,134)	(802,739)
Interest income	27,534	49,060	712,550	11,729	22,636
Loss on sale of fixed assets	-	(5,599)	(5,599)	-	-
Legal settlement	-	-	(1,512,500)	-	-
Non-cash 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	(5,015,477)	(6,097,818)	(108,143,236)	(2,502,087)	(3,439,781)
Minority interest in subsidiary loss	-	-	25,000	-	-
Loss before extraordinary item	(5,015,477)	(6,097,818)	(108,118,236)	(2,502,087)	(3,439,781)
Extraordinary item - loss on extinguishment of debt	-	-	(9,778,167)	-	-

See Notes to Consolidated Financial Statements.

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

	Six Months Ended June 30,		Cumulative From Inception to June 30,	Three Months Ended June 30,	
	2008	2007	2008	2008	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net loss	(5,015,477)	(6,097,818)	(117,896,403)	(2,502,087)	(3,439,781)
Deemed dividends on convertible preferred stock	-	-	(1,820,859)	-	-
Net loss attributable to common stockholders	(5,015,477)	\$ (6,097,818)	\$ (119,717,262)	\$ (2,502,087)	\$ (3,439,781)
Net loss per share	(0.02)	\$ (0.03)		\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding	254,615,704	227,373,482		254,615,704	241,383,341
(1) Excludes non-cash, stock based compensation expense as follows:					
Research and development, net	-	\$ -	\$ 1,454,192	\$ -	\$ -
Operating, general and administrative, net	299,599	136,330	16,894,398	184,731	68,165
	299,599	\$ 136,330	\$ 18,348,590	\$ 184,731	\$ 68,165

See Notes to Consolidated Financial Statements.

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

	Six Months Ended June 30,	Cumulative From Inception to June 30,	
	2008	2007	2008
	(Unaudited)	(Unaudited)	(Unaudited)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss	\$(5,015,477)	\$(6,097,818)	\$(117,896,403)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	152,087	189,862	1,654,873
Amortization of note discount	577,863	1,513,370	21,750,712
Amortization of beneficial conversion feature of convertible debt	205,700	1,158,282	11,489,702
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	299,599	383,562	32,442,021
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
(Decrease) increase in cash attributable to changes in assets and liabilities			
Accounts receivable	(123,671)	816,145	(140,752)
Inventory	196,385	(240,340)	(277,678)
Prepaid expenses and other current assets	(1,199,441)	(43,962)	(1,271,917)
Prepaid licensing fees	24,254	118,798	77,257
Accounts payable	176,225	(230,957)	1,310,329
Accrued expenses and other current liabilities	246,823	410,276	992,899
<b>Net cash used in operating activities</b>	<b>(4,459,653)</b>	<b>(2,196,938)</b>	<b>(46,556,769)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of marketable securities	(525,000)	-	(525,000)
Sale of marketable securities	400,000	-	400,000
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	(93,162)	(139,978)	(2,295,352)
Proceeds from sale of fixed assets	-	194,997	238,097
Loans to officers	-	-	(2,137,677)
Repayment of loans to officer	-	-	1,431,226
<b>Net cash (used in) provided by investing activities</b>	<b>(218,162)</b>	<b>55,019</b>	<b>(4,498,706)</b>

See Notes to Consolidated Financial Statements.

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

	Six Months Ended June 30,		Cumulative From Inception to June 30,
	2008	2007	2008
	(Unaudited)	(Unaudited)	(Unaudited)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of share capital	-	-	11,375,808
Proceeds from issuance of warrants	3,000,000	-	3,000,000
Proceeds from loans and advances	-	-	690,000
Proceeds from issuance of notes payable	2,500,000	4,000,000	15,860,000
Finance costs relating to issuance of notes payable	-	(240,000)	(1,014,400)
Proceeds from issuance of convertible debentures	-	-	28,455,133
Finance costs relating to issuance of debt and warrants	(45,000)	-	(892,500)
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)
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	<u>5,351,500</u>	<u>3,760,000</u>	<u>52,275,285</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>673,685</b>	<b>1,618,081</b>	<b>1,219,810</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	<b>546,125</b>	<b>2,385,668</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<b><u>\$ 1,219,810</u></b>	<b><u>\$ 4,003,749</u></b>	<b><u>\$ 1,219,810</u></b>
<b>Non-cash financing and investing activities:</b>			
Issuance of common stock upon conversion of debentures	<u>\$</u>	<u>\$ 2,633,040</u>	
Issuance of common stock in lieu of interest	<u>\$</u>	<u>\$ 247,332</u>	
Issuance of warrants in connection with issuance of notes payable	<u>\$ 3,146,078</u>	<u>\$</u>	
<b>Supplemental disclosures of cash flow information:</b>			
<b>Cash paid during the period for:</b>			
Interest	<u>\$ 11,761</u>	<u>\$ 817</u>	

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 Rule 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 six months ended June 30, 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 its business plan and to realize its 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, the Company has no commitments for any additional funding and no assurance can be provided that it 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 years 2007 and 2008 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 approximately \$2.95 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 March 2008, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 161 ("SFAS No. 161"), "Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133." SFAS No. 161 gives financial statement users better information about the reporting entity's hedges by providing for qualitative disclosures about the objectives and strategies for using derivatives, quantitative data about the fair value of and gains and losses on derivative contracts, and details of credit-risk-related contingent features in their hedged positions. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged, but not required. The Company does not anticipate the adoption of SFAS No. 161 will have a material effect on its financial statements.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS No. 162"). SFAS No. 162 identifies the sources of accounting principles and provides entities with a framework for selecting the principles used in the preparation of financial statements that are presented in

conformity with GAAP. The FASB believes the GAAP hierarchy should be directed to entities because it is the entity (not its auditors) that is responsible for selecting accounting principles for financial statements that are presented in conformity with GAAP. The adoption of SFAS No. 162 is not expected to have a material impact on the Company's financial statements.

Management does not believe that any other recently issued, but not yet effective, accounting standard if currently adopted would have a material effect on the accompanying financial statements.

### NOTE 3 - NET LOSS PER SHARE

Basic earnings (loss) per share (EPS) 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.

	Shares of Common Stock Issuable upon Conversion/Exercise of as June 30,	
	2008	2007
Stock options	31,437,000	22,964,500
Warrants	604,742,855	110,814,999
Convertible debentures	357,142,857	32,399,060

### NOTE 4 - SALES AND MAJOR CUSTOMERS

Revenues for the six months ended June 30, 2008 and 2007 were as follows:

	June 30, 2008 (Unaudited)	June 30, 2007 (Unaudited)
Hardware	\$ 810,865	\$ 1,851,482
Software and services	-	84,702
	<u>\$ 810,865</u>	<u>\$ 1,936,184</u>

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

Revenues for the three months ended June 30, 2008 and 2007 were as follows:

	June 30, 2008 (Unaudited)	June 30, 2007 (Unaudited)
Hardware	\$ 747,223	\$ 109,682
Software and services	-	58,302
	<u>\$ 747,223</u>	<u>\$ 167,984</u>

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

## 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:

	<u>June 30, 2008</u>	<u>December 31, 2007</u>
	(Unaudited)	
Raw materials	\$ 71,982	\$ 263,698
Finished goods	205,696	210,365
	<u>\$ 277,678</u>	<u>\$ 474,063</u>

## NOTE 6 – PREPAID EXPENSES

In April 2008, the Company made an advance payment of \$1.25 million to our Electronics Manufacturing Solutions (EMS) contractor.

## NOTE 7 - 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 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 Company and the Investor then agreed that 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 such warrants. In connection with the financing, the Company paid fees to a registered broker dealer 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 undertook 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 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.

In connection with an additional investment made by this Investor as discussed below in Note 8, the dates by which the Company is required to file the Registration Statement have been extended. Similar payments will be required if the registration is subsequently suspended beyond certain agreed upon periods.

#### **NOTE 8 - WARRANT ISSUANCE**

On April 23, 2008, the Company entered into a Securities Purchase Agreement (the "April 08 Purchase Agreement") with the Investor referred to in Note 7 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 (collectively, the "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 "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.

In connection with the financing, a registered broker dealer received \$45,000 as compensation payment, and were issued warrants to purchase up to 1,000,000 shares of the Company's Common Stock at a per share exercise price of \$0.035.

## **NOTE 9 – STOCKHOLDERS' EQUITY**

### **INCREASE IN AUTHORIZED COMMON STOCK**

On June 27, 2008, the Company's stockholders approved an increase in the authorized shares of Common Stock that the Company is authorized to issue up to 2,000,000,000 shares. Such amount has been reflected in the accompanying condensed consolidated balance sheet at June 30, 2008.

### **INCREASE IN STOCK OPTION PLANS**

On June 27, 2008, the Company's stockholders approved an increase in the shares of Common Stock available for issuance under the 2000 Equity Incentive Plan to 50,000,000.

On June 27, 2008, the Company's stockholders approved an increase in the shares Common Stock available for issuance under the 2002 Non-Employee Directors Plan to 12,000,000.

## **NOTE 10 - COMMERCIAL DEPLOYEMENT AGREEMNT**

On April 1, 2008, Ambient Corporation ("Ambient" or the "Company") and Duke Energy ("Duke"), one of the largest electric power companies in the United States, entered into a Commercial Deployment Agreement (the "Agreement") pursuant to which Ambient Smart Grid equipment and technology will be deployed over portions of Duke's electric power distribution grid.

On April 2, 2008 in conjunction with the Agreement, 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. As of June 30<sup>th</sup>, 2008 Ambient has recognized revenue of \$190,422 pertaining to this order.

Management believes that the purchase order will be completed by November 2008.

## **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 assets 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. We intend to generate revenues from these designs, sales, installations, and support of the Ambient Smart Grid™ networks, as well as from the licensing of our network management system. 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 our products, technology, and services.

As of August 2008, we held 21 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.

During 2008, Ambient continues its evolution, expanding our value proposition for our marquee customer. Dating back to 2000, Ambient has been focused on building communication platforms for utility applications over the existing power line infrastructure, initially using proprietary 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. 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 has continued to focus on our core business of designing, developing and commercializing the Ambient Smart Grid™ platform, equipment, technologies, and services. In April 2008, Ambient received a purchase order with a maximum value of up to \$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. Management believes that the Company will complete the purchase order by November 2008.

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™. Through our development we continue to protect our intellectual property by expanding our patent portfolio, and, when necessary, aggressively protecting our proprietary technologies. We intend to continue to drive industry standardization efforts through such industry associations as the Universal Powerline Association, the United Power Line Council, the Utilities Telecom Council and the GridWise Alliance and standards setting organizations such as the Institute of Electrical and Electronics Engineers.

We intend to actively seek new opportunities for commercial deployments 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 Ambient Smart Grid™ networks.

As of June 30, 2008, we had an accumulated deficit of approximately \$119.7 million (which includes approximately \$68.8 million in stock-based charges and other non-cash charges).

## **RESULTS OF OPERATIONS**

### **COMPARISON OF THE SIX AND THREE MONTHS ENDED JUNE 30, 2008 TO THE SIX AND THREE MONTHS ENDED JUNE 30, 2007**

**REVENUE.** Revenues for the six and three months ended June 30, 2008 were \$810,865 and \$747,223 respectively. Revenues for the corresponding periods in 2007 were \$1,936,184 and \$167,984 respectively. 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, related network design, and installation services that we provided in connection with a purchase order that we received in September 2006. Revenues for the six and three months ended June 30, 2008 related to the sales of equipment totaled \$810,865 and \$747,223 respectively as compared to \$1,851,482 and \$109,682 for the corresponding periods in 2007.

**COST OF GOODS SOLD AND GROSS PROFIT.** Cost of goods sold for the six and three months ended June 30, 2008 were \$948,500 and \$605,630, respectively, compared to \$1,412,229 and \$140,790 during the corresponding periods in 2007. During the six and three month ended June 30, 2008 cost of goods sold included an inventory reserve of \$286,821 and \$0 for excess, obsolete, and surplus inventory resulting from the transition from first to second generation technology. For the six months ended June 30, 2008, we incurred a gross loss of \$137,635 compared to a gross profit of \$523,955 for the corresponding six month period in 2007 and for the three months ended June 30, 2008 we incurred a gross profit of \$141,593 compared to a gross profit of \$27,194 for the corresponding three month periods in 2007. The increases in gross profit for the three months ended June 30, 2008 was attributable to the accelerated efforts to introduce and commercialize our Ambient Smart Grid™ communications platforms while we began fulfilling our most recent purchase order.

**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 six and three months ended June 30, 2008 were \$1,786,067 and \$923,795, respectively, compared to \$1,777,604 and \$822,512 during the corresponding periods 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 six and three months ended June 30, 2008 were \$1,697,311 and \$954,781, respectively, compared to \$1,994,200 and \$1,087,261 for the corresponding periods in 2007. The decrease in general and administrative expense for the six months ended June 30, 2008 was primarily attributable to a decrease in professional fees incurred. We expect that our general and administrative expenses will increase over the next twelve months as we fulfill the purchase order that we received in April 2008 and as we intensify our efforts to market and commercialize our Ambient Smart Grid™ communication platforms.

**OTHER OPERATING EXPENSES.** A portion of our operating expenses was 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 six and three months ended June 30, 2008, we incurred non-cash stock-based compensation expense of \$299,599 and \$184,731, respectively, compared to \$136,330 and \$68,165 for the corresponding periods in 2007.

**OTHER OPERATING INCOME.** For the six months ended June 30, 2008, other operating income totaled \$0 compared to \$179,755 for the corresponding period in 2007. There was no operating income for either of the three month periods in 2008 and 2007. Other income for the first six month of 2007 was attributable to grant monies received from Consolidated 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 six and three months ended June 30, 2008, we incurred non-cash expenses, excluding stock-based compensation to employees and consultants, of \$783,563 and \$424,956, respectively, compared to \$2,671,652 and \$1,378,356 for the corresponding periods in 2007. These non-cash expenses related 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 six and three months ended June 30, 2008, we incurred interest expense of \$338,836 and \$167,146, respectively, compared to \$265,203 and \$133,317 for the corresponding periods in 2007. The interest related primarily to our Senior Secured 8% Convertible Debentures, which were issued in July 2007 through January 2008 and our 8% Convertible Debentures, which were issued in May 2006. In January 2008 the 8% Convertible Debentures were repaid in their entirety.

## **LIQUIDITY AND CAPITAL RESOURCES**

Cash balances totaled \$1,219,810 at June 30, 2008 and \$546,125 at December 31, 2007.

Net cash used in operating activities for the six months ended June 30, 2008 was \$4,459,653 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 \$277,678 as of June 30, 2008.

Net cash used in investing activities totaled \$218,162 during the six months ended June 30, 2008 from the purchase of marketable securities, offset by the sale of marketable securities, and additions to property and equipment.

Net cash from financing activities totaled \$5,351,500 during the six month ended June 30, 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. We also received net proceeds of \$2,955,000 from the issuance of warrants in April 2008.

From inception through June 30, 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, this current financing with the investor did not include any debt component.

We 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, 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.

We routinely review the Company's internal control over financial reporting and from time to time make changes intended to enhance the effectiveness of our internal control over financial reporting. There was no change in internal control over the financial reporting that materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting, including any corrective actions with regard to significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, subsequent to the evaluation described above.

Reference is made to the Certification of our President and Chief Executive Officer about these and other matters filed as an exhibit to this report.

## PART II - OTHER INFORMATION

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Our Annual Meeting of Stockholders was held on June 27, 2008. The following matters were voted on: (1) election of directors; (2) increase the number of authorized shares of Common Stock; (3) an increase in the number of shares of Common Stock reserved for issuance under our 2000 Equity Incentive Plan; (4) increase in the number of shares of Common Stock reserved for issuance under our 2002 Non-Employee Directors Stock Option Plan; and (5) appointment of auditors. The vote tally was as follows:

(1) Proposal to Elect Five Directors to Serve until the 2008 Annual Meeting of Stockholders.

	FOR	WITHHOLD
John Joyce	233,757,527	10,774,542
Michael Widland	236,587,277	7,944,792
D. Howard Pierce	236,500,830	8,031,239
Thomas Higgins	237,653,745	6,878,324
Shad S. Stastney	235,812,280	8,719,789

(2) Proposal to ratify the amendment to our certificate of incorporation to increase the number of shares of Common Stock that the Company is authorized to issue from time to time to 2,000,000,000 shares

FOR	AGAINST	ABSTAIN	BROKER NON VOTES
222,170,090	22,095,079	266,900	0

(3) Proposal to increase the number of shares of Common Stock reserved for issuance under our 2000 Equity Incentive Plan from 25,000,000 shares to 50,000,000 shares.

FOR	AGAINST	ABSTAIN	BROKER NON VOTES
225,165,816	18,871,796	494,457	0

(4) Proposal to increase the number of shares of Common Stock reserved for issuance under our 2002 Non-Employee Directors Stock Option Plan from 6,000,000 shares to 12,000,000 shares.

FOR	AGAINST	ABSTAIN	BROKER NON VOTES
223,057,347	20,749,465	725,257	0

(5) Proposal to ratify the appointment of Rotenberg, Meril Solomon Bertiger & Guttilla, PC as our auditors for the year ending December 31, 2008.

FOR	AGAINST	ABSTAIN	BROKER NON VOTES
236,762,116	4,714,396	3,055,557	0

All Proposals received the requisite number of votes and were approved.

**ITEM 6. EXHIBITS**

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
<a href="#"><u>3.1</u></a>	Restated Certificate of Incorporation of the Company, as amended.
<a href="#"><u>4.1</u></a>	Warrant issued as of April 23, 2008
<a href="#"><u>10.1</u></a>	Securities Purchase Agreement dated as of April 23, 2008 between Ambient Corporation and Vicis Capital Master Fund
<a href="#"><u>10.2</u></a>	Amendment and Waiver dated as of April 23, 2008 between Ambient Corporation and Vicis Capital Master Fund
<a href="#"><u>31</u></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="#"><u>32</u></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: August 14, 2008

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

**CERTIFICATE OF AMENDMENT  
TO  
CERTIFICATE OF INCORPORATION  
OF  
AMBIENT CORPORATION**

The undersigned, John J. Joyce, President and Chief Executive Officer of Ambient Corporation, a Delaware corporation (the "Corporation"), does hereby certify as follows:

1. The name of the Corporation is Ambient Corporation.
2. The Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on June 26, 1996.
3. The first paragraph of Paragraph FOURTH of the Certificate of Incorporation is hereby amended to read in its entirety as follows:

"FOURTH: The Corporation is authorized to issue two classes of stock to be designated respectively as "Common Stock" and "Preferred Stock." The total number of shares which the Corporation is authorized to issue consists of two billion (2,000,000,000) shares of Common Stock and five million (5,000,000) shares of Preferred Stock. Each share of Common Stock and Preferred Stock shall have a par value of \$.001."

4. This amendment of the Certificate of Incorporation was duly adopted in accordance with Section 242 of the Delaware General Corporation Law.

IN WITNESS WHEREOF, this certificate of amendment has been executed as of this 30th day of June 2008.

By: /s/ John J. Joyce  
Name: John J. Joyce  
Title: President and Chief Executive Officer

**THIS WARRANT AND THE SHARES OF COMMON STOCK ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES LAWS OR THE ISSUER SHALL HAVE RECEIVED AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE ISSUER THAT REGISTRATION OF SUCH SECURITIES UNDER THE SECURITIES ACT AND UNDER THE PROVISIONS OF APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED.**

SERIES F WARRANT TO PURCHASE

SHARES OF COMMON STOCK

OF

AMBIENT CORPORATION

Expires April 23, 2013

No.: W-F-08-01

Number of Shares: 135,000,000

Date of Issuance: April 23, 2008

FOR VALUE RECEIVED, the undersigned, Ambient Corporation, a Delaware corporation (together with its successors and assigns, the "Issuer"), hereby certifies that VICIS CAPITAL MASTER FUND or its registered assigns is entitled to subscribe for and purchase, during the Term (as hereinafter defined), up to One Hundred Thirty-Five Million (135,000,000) shares (subject to adjustment as hereinafter provided) of the duly authorized, validly issued, fully paid and non-assessable Common Stock of the Issuer, at an exercise price per share equal to the Warrant Price then in effect, subject, however, to the provisions and upon the terms and conditions hereinafter set forth. This Warrant has been executed and delivered pursuant to the Securities Purchase Agreement dated as of April 23, 2008 (the "Purchase Agreement") by and among the Issuer and the purchaser(s) listed therein. Capitalized terms used and not otherwise defined herein shall have the meanings set forth for such terms in the Purchase Agreement. Capitalized terms used in this Warrant and not otherwise defined herein shall have the respective meanings specified in Section 8 hereof.

1. Term. The term of this Warrant shall commence on April 23, 2008 and shall expire at 6:00 p.m., eastern time, on April 23, 2013 (such period being the "Term").

2. Method of Exercise; Payment; Issuance of New Warrant; Transfer and Exchange.

(a) Time of Exercise. The purchase rights represented by this Warrant may be exercised in whole or in part at any time during the Term.

(b) Method of Exercise. The Holder hereof may exercise this Warrant, in whole or in part, by the surrender of this Warrant (with the exercise form attached hereto duly executed) at the principal office of the Issuer, and by the payment to the Issuer of an amount of consideration therefor equal to the Warrant Price in

effect on the date of such exercise multiplied by the number of shares of Warrant Stock with respect to which this Warrant is then being exercised, payable at such Holder's election (i) by certified or official bank check or by wire transfer to an account designated by the Issuer, (ii) by "cashless exercise" in accordance with the provisions of subsection (c) of this Section 2, but only when a registration statement under the Securities Act providing for the resale of the Warrant Stock is not then in effect, or (iii) when permitted by clause (ii), by a combination of the foregoing methods of payment selected by the Holder of this Warrant.

(c) Cashless Exercise. Notwithstanding any provisions herein to the contrary and commencing one (1) year following the Original Issue Date if (i) the Per Share Market Value of one share of Common Stock is greater than the Warrant Price (at the date of calculation as set forth below) and (ii) a registration statement under the Securities Act providing for the resale of the Warrant Stock is not in effect in accordance with the terms of the Registration Rights Agreement at the time of exercise, unless the registration statement is not effective as a result of the Issuer exercising its rights under Section 3(n) of the Registration Rights Agreement, in lieu of exercising this Warrant by payment of cash, the Holder may exercise this Warrant by a cashless exercise and shall receive the number of shares of Common Stock equal to an amount (as determined below) by surrender of this Warrant at the principal office of the Issuer together with the properly endorsed Notice of Exercise in which event the Issuer shall issue to the Holder a number of shares of Common Stock computed using the following formula:

$$X = Y - \frac{(A)(Y)}{B}$$

Where X = the number of shares of Common Stock to be issued to the Holder.

Y = the number of shares of Common Stock purchasable upon exercise of all of the Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being exercised.

A = the Warrant Price.

B = the Per Share Market Value of one share of Common Stock.

(d) Issuance of Stock Certificates. In the event of any exercise of this Warrant in accordance with and subject to the terms and conditions hereof, certificates for the shares of Warrant Stock so purchased shall be dated the date of such exercise and delivered to the Holder hereof within a reasonable time, not exceeding three (3) Trading Days after such exercise (the "Delivery Date") or, at the request of the Holder (provided that a registration statement under the Securities Act providing for the resale of the Warrant Stock is then in effect), issued and delivered to the Depository Trust Company ("DTC") account on the Holder's behalf via the Deposit Withdrawal Agent Commission System ("DWAC") within a reasonable time, not exceeding three (3) Trading Days after such exercise, and the Holder hereof shall be deemed for all purposes to be the holder of the shares of Warrant Stock so purchased as of the date of such exercise. Notwithstanding the foregoing to the contrary, the Issuer or its transfer agent shall only be obligated to issue and deliver the shares to the DTC on a holder's behalf via DWAC if such exercise is in connection with a sale and the Issuer and its transfer agent are participating in DTC through the DWAC system. The Holder shall deliver this original Warrant, or an indemnification undertaking with respect to such Warrant in the case of its loss, theft or destruction, at such time that this Warrant is fully exercised. With respect to partial exercises of this Warrant, the Issuer shall keep written records for the Holder of the number of shares of Warrant Stock exercised as of each date of exercise.

(e) Compensation for Buy-In on Failure to Timely Deliver Certificates Upon Exercise.

(i) The Issuer understands that a delay in the delivery of the shares of Common Stock upon exercise of this Warrant beyond the Delivery Date could result in economic loss to the Holder. If the Issuer fails to deliver to the Holder such shares via DWAC or a certificate or certificates pursuant to this Section hereunder by the Delivery Date, the Issuer shall pay to the Holder, in cash, for each \$500 of Warrant Shares (based on the Closing Price of the Common Stock on the date such Securities are submitted to the Issuer's transfer agent), \$5 per Trading Day (increasing to \$10 per Trading Day five (5) Trading Days after such damages have begun to accrue and increasing to \$15 per Trading Day ten (10) Trading Days after such damages have begun to accrue) for each Trading Day after the Delivery Date until such certificate is delivered (which amount shall be paid as liquidated damages and not as a penalty). Nothing herein shall limit a Holder's right to pursue actual damages for the Issuer's failure to deliver certificates representing any Securities as required by the Transaction Documents, and the Holder shall have the right to pursue all remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief. Notwithstanding anything to the contrary contained herein, the Holder shall be entitled to withdraw an Exercise Notice, and upon such withdrawal the Issuer shall only be obligated to pay the liquidated damages accrued in accordance with this Section 2(e)(i) through the date the Exercise Notice is withdrawn.

(ii) In addition to any other rights available to the Holder, if the Issuer fails to cause its transfer agent to transmit to the Holder a certificate or certificates representing the Warrant Stock pursuant to an exercise on or before the Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Warrant Stock which the Holder anticipated receiving upon such exercise (a "Buy-In"), then the Issuer shall (1) pay in cash to the Holder the amount by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (A) the number of shares of Warrant Stock that the Issuer was required to deliver to the Holder in connection with the exercise at issue times (B) the price at which the sell order giving rise to such purchase obligation was executed, and (2) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of shares of Warrant Stock for which such exercise was not honored or deliver to the Holder the number of shares of Common Stock that would have been issued had the Issuer timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of \$11,000 to cover a Buy-In with respect to an attempted exercise of shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of \$10,000, under clause (1) of the immediately preceding sentence the Issuer shall be required to pay the Holder \$1,000. The Holder shall provide the Issuer written notice indicating the amounts payable to the Holder in respect of the Buy-In, together with applicable confirmations and other evidence reasonably requested by the Issuer. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Issuer's failure to timely deliver certificates representing shares of Common Stock upon exercise of this Warrant as required pursuant to the terms hereof.

(f) Transferability of Warrant. Subject to Section 2(h) hereof, this Warrant may be transferred by a Holder, in whole or in part, subject only to the restrictions specified in the Purchase Agreement. If transferred pursuant to this paragraph, this Warrant may be transferred on the books of the Issuer by the Holder hereof in person or by duly authorized attorney, upon surrender of this Warrant at the principal office of the Issuer,

properly endorsed (by the Holder executing an assignment in the form attached hereto) and upon payment of any necessary transfer tax or other governmental charge imposed upon such transfer. This Warrant is exchangeable at the principal office of the Issuer for Warrants to purchase the same aggregate number of shares of Warrant Stock, each new Warrant to represent the right to purchase such number of shares of Warrant Stock as the Holder hereof shall designate at the time of such exchange. All Warrants issued on transfers or exchanges shall be dated the Original Issue Date and shall be identical with this Warrant except as to the number of shares of Warrant Stock issuable pursuant thereto.

(g) Continuing Rights of Holder. The Issuer will, at the time of or at any time after each exercise of this Warrant, upon the request of the Holder hereof, acknowledge in writing the extent, if any, of its continuing obligation to afford to such Holder all rights to which such Holder shall continue to be entitled after such exercise in accordance with the terms of this Warrant, provided that if any such Holder shall fail to make any such request, the failure shall not affect the continuing obligation of the Issuer to afford such rights to such Holder.

(h) Compliance with Securities Laws.

(i) The Holder of this Warrant, by acceptance hereof, acknowledges that this Warrant and the shares of Warrant Stock to be issued upon exercise hereof are being acquired solely for the Holder's own account and not as a nominee for any other party, and for investment, and that the Holder will not offer, sell or otherwise dispose of this Warrant or any shares of Warrant Stock to be issued upon exercise hereof except pursuant to an effective registration statement, or an exemption from registration, under the Securities Act and any applicable state securities laws.

(ii) Except as provided in paragraph (iii) below, this Warrant and all certificates representing shares of Warrant Stock issued upon exercise hereof shall be stamped or imprinted with a legend in substantially the following form:

THIS WARRANT AND THE SHARES OF COMMON STOCK ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES LAWS OR THE ISSUER SHALL HAVE RECEIVED AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE ISSUER THAT REGISTRATION OF SUCH SECURITIES UNDER THE SECURITIES ACT AND UNDER THE PROVISIONS OF APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED.

(iii) The Issuer agrees to reissue this Warrant or certificates representing any of the Warrant Stock, without the legend set forth above if at such time, prior to making any transfer of any such securities, the Holder shall give written notice to the Issuer describing the manner and terms of such transfer. Such proposed transfer will not be effected until: (a) either (i) the Issuer has received an opinion of counsel reasonably satisfactory to the Issuer, to the effect that the registration of such securities under the Securities Act is not required in connection with such proposed transfer, (ii) a registration statement under the Securities Act covering such proposed disposition has been filed by the

Issuer with the Securities and Exchange Commission and has become effective under the Securities Act, (iii) the Issuer has received other evidence reasonably satisfactory to the Issuer that such registration and qualification under the Securities Act and state securities laws are not required, or (iv) the Holder provides the Issuer with reasonable assurances that such security can be sold pursuant to Rule 144 under the Securities Act; and (b) either (i) the Issuer has received an opinion of counsel reasonably satisfactory to the Issuer, to the effect that registration or qualification under the securities or “blue sky” laws of any state is not required in connection with such proposed disposition, or (ii) compliance with applicable state securities or “blue sky” laws has been effected or a valid exemption exists with respect thereto. The Issuer will respond to any such notice from a holder within three (3) Trading Days. In the case of any proposed transfer under this Section 2(h), the Issuer will use reasonable efforts to comply with any such applicable state securities or “blue sky” laws, but shall in no event be required, (x) to qualify to do business in any state where it is not then qualified, (y) to take any action that would subject it to tax or to the general service of process in any state where it is not then subject, or (z) to comply with state securities or “blue sky” laws of any state for which registration by coordination is unavailable to the Issuer. The restrictions on transfer contained in this Section 2(h) shall be in addition to, and not by way of limitation of, any other restrictions on transfer contained in any other section of this Warrant. Whenever a certificate representing the Warrant Stock is required to be issued to a the Holder without a legend, in lieu of delivering physical certificates representing the Warrant Stock, the Issuer shall cause its transfer agent to electronically transmit the Warrant Stock to the Holder by crediting the account of the Holder’s Prime Broker with DTC through its DWAC system (to the extent not inconsistent with any provisions of this Warrant or the Purchase Agreement).

(i) Accredited Investor Status. In no event may the Holder exercise this Warrant in whole or in part unless the Holder is an “accredited investor” as defined in Regulation D under the Securities Act.

(j) No Mandatory Redemption. This Warrant may not be called or redeemed by the Issuer without the written consent of the Holder.

(k) Consent to Change in Control Transaction. Notwithstanding anything contained herein, the Company shall not enter into any Change in Control Transaction without the consent of the Majority Holders as set forth in Section 3.23(e) of the Purchase Agreement.

### 3. Stock Fully Paid; Reservation and Listing of Shares; Covenants.

(a) Stock Fully Paid. The Issuer represents, warrants, covenants and agrees that all shares of Warrant Stock which may be issued upon the exercise of this Warrant or otherwise hereunder will, when issued in accordance with the terms of this Warrant, be duly authorized, validly issued, fully paid and non-assessable and free from all taxes, liens and charges created by or through the Issuer. The Issuer further covenants and agrees that during the period within which this Warrant may be exercised, the Issuer will at all times have authorized and reserved for the purpose of the issuance upon exercise of this Warrant a number of authorized but unissued shares of Common Stock equal to at least one hundred percent (100%) of the number of shares of Common Stock issuable upon exercise of this Warrant without regard to any limitations on exercise.

(b) Reservation. If any shares of Common Stock required to be reserved for issuance upon exercise of this Warrant or as otherwise provided hereunder require registration or qualification with any Governmental Authority under any federal or state law before such shares may be so issued, the Issuer will in good faith use its best efforts as expeditiously as possible at its expense to cause such shares to be duly registered or qualified. If

the Issuer shall list any shares of Common Stock on any securities exchange or market it will, at its expense, list thereon, and maintain and increase when necessary such listing, of, all shares of Warrant Stock from time to time issued upon exercise of this Warrant or as otherwise provided hereunder (provided that such Warrant Stock has been registered pursuant to a registration statement under the Securities Act then in effect), and, to the extent permissible under the applicable securities exchange rules, all unissued shares of Warrant Stock which are at any time issuable hereunder, so long as any shares of Common Stock shall be so listed. The Issuer will also so list on each securities exchange or market, and will maintain such listing of, any other securities which the Holder of this Warrant shall be entitled to receive upon the exercise of this Warrant if at the time any securities of the same class shall be listed on such securities exchange or market by the Issuer.

(c) Loss, Theft, Destruction of Warrants. Upon receipt of evidence satisfactory to the Issuer of the ownership of and the loss, theft, destruction or mutilation of any Warrant and, in the case of any such loss, theft or destruction, upon receipt of indemnity or security satisfactory to the Issuer or, in the case of any such mutilation, upon surrender and cancellation of such Warrant, the Issuer will make and deliver, in lieu of such lost, stolen, destroyed or mutilated Warrant, a new Warrant of like tenor and representing the right to purchase the same number of shares of Common Stock.

(d) Payment of Taxes. The Issuer will pay any documentary stamp taxes attributable to the initial issuance of the Warrant Stock issuable upon exercise of this Warrant; provided, however, that the Issuer shall not be required to pay any tax or taxes which may be payable in respect of any transfer involved in the issuance or delivery of any certificates representing Warrant Stock in a name other than that of the Holder in respect to which such shares are issued.

4. Adjustment of Warrant Price and Number of Shares Issuable Upon Exercise. The Warrant Price and the number of shares of Warrant Stock that may be purchased upon exercise of this Warrant shall be subject to adjustment from time to time as set forth in this Section 4. The Issuer shall give the Holder notice of any event described below which requires an adjustment pursuant to this Section 4 in accordance with the notice provisions set forth in Section 5.

(a) Recapitalization, Reorganization, Reclassification, Consolidation, Merger or Sale. In case the Issuer after the Original Issue Date shall do any of the following (each, a "Triggering Event"): (a) consolidate or merge with or into any other Person and the Issuer shall not be the continuing or surviving corporation of such consolidation or merger, or (b) permit any other Person to consolidate with or merge into the Issuer and the Issuer shall be the continuing or surviving Person but, in connection with such consolidation or merger, any Capital Stock of the Issuer shall be changed into or exchanged for Securities of any other Person or cash or any other property, or (c) transfer all or substantially all of its properties or assets to any other Person, or (d) effect a capital reorganization or reclassification of its Capital Stock, then, and as a condition to each such Triggering Event, proper and adequate provision shall be made so that, upon the basis and the terms and in the manner provided in this Warrant, the Holder of this Warrant shall be entitled upon the exercise hereof at any time after the consummation of such Triggering Event, to the extent this Warrant is not exercised prior to such Triggering Event, to receive at the Warrant Price in effect at the time immediately prior to the consummation of such Triggering Event in lieu of the Common Stock issuable upon such exercise of this Warrant prior to such Triggering Event, the Securities, cash and property to which such Holder would have been entitled upon the consummation of such Triggering Event if such Holder had exercised the rights represented by this Warrant immediately prior thereto (including the right of a shareholder to elect the type of consideration it will receive upon a Triggering Event), subject to adjustments (subsequent to such corporate action) as nearly equivalent as possible to the adjustments provided for elsewhere in this Section 4; provided, however, the Holder shall have

the option to receive, in lieu of the foregoing right to receive such securities, cash and property, an amount in cash equal to the value of this Warrant calculated in accordance with the Black-Scholes formula. Notwithstanding the foregoing to the contrary, in the event of a Triggering Event, at the request of the Holder delivered before the ninetieth (90<sup>th</sup>) day after such Triggering Event, the Issuer shall pay to the Holder an amount in cash equal to the value of the unexercised portion of this Warrant as of the date of such Triggering Event calculated in accordance with the Black-Scholes formula within five (5) days of such request.

(b) Stock Dividends, Subdivisions and Combinations. If at any time the Issuer shall:

(i) make or issue or set a record date for the holders of the Common Stock for the purpose of entitling them to receive a dividend payable in, or other distribution of, shares of Common Stock,

(ii) subdivide its outstanding shares of Common Stock into a larger number of shares of Common Stock, or

(iii) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock,

then (1) the number of shares of Common Stock for which this Warrant is exercisable immediately after the occurrence of any such event shall be adjusted to equal the number of shares of Common Stock which a record holder of the same number of shares of Common Stock for which this Warrant is exercisable immediately prior to the occurrence of such event would own or be entitled to receive after the happening of such event, and (2) the Warrant Price then in effect shall be adjusted to equal (A) the Warrant Price then in effect multiplied by the number of shares of Common Stock for which this Warrant is exercisable immediately prior to the adjustment divided by (B) the number of shares of Common Stock for which this Warrant is exercisable immediately after such adjustment.

(c) Certain Other Distributions. If at any time the Issuer shall make or issue or set a record date for the holders of the Common Stock for the purpose of entitling them to receive any dividend or other distribution of:

(i) cash (other than a cash dividend payable out of earnings or earned surplus legally available for the payment of dividends under the laws of the jurisdiction of incorporation of the Issuer),

(ii) any evidences of its indebtedness, any shares of stock of any class or any other securities or property of any nature whatsoever (other than cash, Common Stock Equivalents or Additional Shares of Common Stock), or

(iii) any warrants or other rights to subscribe for or purchase any evidences of its indebtedness, any shares of stock of any class or any other securities or property of any nature whatsoever (other than cash, Common Stock Equivalents or Additional Shares of Common Stock),

then (1) the number of shares of Common Stock for which this Warrant is exercisable shall be adjusted to equal the product of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such adjustment multiplied by a fraction (A) the numerator of which shall be the Per Share Market Value of Common Stock at the date of taking such record and (B) the denominator of which shall be such Per Share

Market Value minus the amount allocable to one share of Common Stock of any such cash so distributable and of the fair value (as determined in good faith by the Board of Directors of the Issuer and supported by an opinion from an investment banking firm mutually agreed upon by the Issuer and the Holder) of any and all such evidences of indebtedness, shares of stock, other securities or property or warrants or other subscription or purchase rights so distributable, and (2) the Warrant Price then in effect shall be adjusted to equal (A) the Warrant Price then in effect multiplied by the number of shares of Common Stock for which this Warrant is exercisable immediately prior to the adjustment divided by (B) the number of shares of Common Stock for which this Warrant is exercisable immediately after such adjustment. A reclassification of the Common Stock (other than a change in par value, or from par value to no par value or from no par value to par value) into shares of Common Stock and shares of any other class of stock shall be deemed a distribution by the Issuer to the holders of its Common Stock of such shares of such other class of stock within the meaning of this Section 4(c) and, if the outstanding shares of Common Stock shall be changed into a larger or smaller number of shares of Common Stock as a part of such reclassification, such change shall be deemed a subdivision or combination, as the case may be, of the outstanding shares of Common Stock within the meaning of Section 4(b).

(d) Issuance of Additional Shares of Common Stock. In the event the Issuer shall at any time following the Original Issuance Date issue any Additional Shares of Common Stock (otherwise than as provided in the foregoing subsections (b) through (c) of this Section 4), at a price per share less than the Warrant Price then in effect or without consideration, then the Warrant Price upon each such issuance shall be adjusted to the price equal to the consideration per share paid for such Additional Shares of Common Stock.

(e) Issuance of Common Stock Equivalents. In the event the Issuer shall at any time following the Original Issuance Date take a record of the holders of its Common Stock for the purpose of entitling them to receive a distribution of, or shall in any manner (whether directly or by assumption in a merger in which the Issuer is the surviving corporation) issue or sell, any Common Stock Equivalents, whether or not the rights to exchange or convert thereunder are immediately exercisable, and the price per share for which Common Stock is issuable upon such conversion or exchange shall be less than the Warrant Price in effect immediately prior to the time of such issue or sale, or if, after any such issuance of Common Stock Equivalents, the price per share for which Additional Shares of Common Stock may be issuable thereafter is amended or adjusted, and such price as so amended shall be less than the Warrant Price in effect at the time of such amendment or adjustment, then the Warrant Price then in effect shall be adjusted as provided in Section 4(d). No further adjustments of the number of shares of Common Stock for which this Warrant is exercisable and the Warrant Price then in effect shall be made upon the actual issue of such Common Stock upon conversion or exchange of such Common Stock Equivalents.

(f) Other Provisions applicable to Adjustments under this Section. The following provisions shall be applicable to the making of adjustments of the number of shares of Common Stock for which this Warrant is exercisable and the Warrant Price then in effect provided for in this Section 4:

(i) Computation of Consideration. To the extent that any Additional Shares of Common Stock or any Common Stock Equivalents (or any warrants or other rights therefor) shall be issued for cash consideration, the consideration received by the Issuer therefor shall be the amount of the cash received by the Issuer therefor, or, if such Additional Shares of Common Stock or Common Stock Equivalents are offered by the Issuer for subscription, the subscription price, or, if such Additional Shares of Common Stock or Common Stock Equivalents are sold to underwriters or dealers for public offering without a subscription offering, the initial public offering price (in any such case subtracting any amounts paid or receivable for accrued interest or accrued dividends and without taking into account any compensation, discounts or expenses paid or incurred by

the Issuer for and in the underwriting of, or otherwise in connection with, the issuance thereof). In connection with any merger or consolidation in which the Issuer is the surviving corporation (other than any consolidation or merger in which the previously outstanding shares of Common Stock of the Issuer shall be changed to or exchanged for the stock or other securities of another corporation), the amount of consideration therefore shall be, deemed to be the fair value, as determined reasonably and in good faith by the Board, of such portion of the assets and business of the nonsurviving corporation as the Board may determine to be attributable to such shares of Common Stock or Common Stock Equivalents, as the case may be. The consideration for any Additional Shares of Common Stock issuable pursuant to any warrants or other rights to subscribe for or purchase the same shall be the consideration received by the Issuer for issuing such warrants or other rights plus the additional consideration payable to the Issuer upon exercise of such warrants or other rights. The consideration for any Additional Shares of Common Stock issuable pursuant to the terms of any Common Stock Equivalents shall be the consideration received by the Issuer for issuing warrants or other rights to subscribe for or purchase such Common Stock Equivalents, plus the consideration paid or payable to the Issuer in respect of the subscription for or purchase of such Common Stock Equivalents, plus the additional consideration, if any, payable to the Issuer upon the exercise of the right of conversion or exchange in such Common Stock Equivalents. In the event of any consolidation or merger of the Issuer in which the Issuer is not the surviving corporation or in which the previously outstanding shares of Common Stock of the Issuer shall be changed into or exchanged for the stock or other securities of another corporation, or in the event of any sale of all or substantially all of the assets of the Issuer for stock or other securities of any corporation, the Issuer shall be deemed to have issued a number of shares of its Common Stock for stock or securities or other property of the other corporation computed on the basis of the actual exchange ratio on which the transaction was predicated, and for a consideration equal to the fair market value on the date of such transaction of all such stock or securities or other property of the other corporation. In the event any consideration received by the Issuer for any securities consists of property other than cash, the fair market value thereof at the time of issuance or as otherwise applicable shall be as determined in good faith by the Board. In the event Common Stock is issued with other shares or securities or other assets of the Issuer for consideration which covers both, the consideration computed as provided in this Section 4(f)(i) shall be allocated among such securities and assets as determined in good faith by the Board.

(ii) When Adjustments to Be Made. The adjustments required by this Section 4 shall be made whenever and as often as any specified event requiring an adjustment shall occur, except that any adjustment of the number of shares of Common Stock for which this Warrant is exercisable that would otherwise be required may be postponed (except in the case of a subdivision or combination of shares of the Common Stock, as provided for in Section 4(b)) up to, but not beyond the date of exercise if such adjustment either by itself or with other adjustments not previously made adds or subtracts less than one percent (1%) of the shares of Common Stock for which this Warrant is exercisable immediately prior to the making of such adjustment. Any adjustment representing a change of less than such minimum amount (except as aforesaid) which is postponed shall be carried forward and made as soon as such adjustment, together with other adjustments required by this Section 4 and not previously made, would result in a minimum adjustment or on the date of exercise. For the purpose of any adjustment, any specified event shall be deemed to have occurred at the close of business on the date of its occurrence.

(iii) Fractional Interests. In computing adjustments under this Section 4, fractional interests in Common Stock shall be taken into account to the nearest one one-hundredth ( $1/100^{\text{th}}$ ) of a share.

(iv) When Adjustment Not Required. If the Issuer shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend or distribution or subscription or

purchase rights and shall, thereafter and before the distribution to stockholders thereof, legally abandon its plan to pay or deliver such dividend, distribution, subscription or purchase rights, then thereafter no adjustment shall be required by reason of the taking of such record and any such adjustment previously made in respect thereof shall be rescinded and annulled.

(g) Form of Warrant after Adjustments. The form of this Warrant need not be changed because of any adjustments in the Warrant Price or the number and kind of Securities purchasable upon the exercise of this Warrant.

(h) Escrow of Warrant Stock. If after any property becomes distributable pursuant to this Section 4 by reason of the taking of any record of the holders of Common Stock, but prior to the occurrence of the event for which such record is taken, and the Holder exercises this Warrant, any shares of Common Stock issuable upon exercise by reason of such adjustment shall be deemed the last shares of Common Stock for which this Warrant is exercised (notwithstanding any other provision to the contrary herein) and such shares or other property shall be held in escrow for the Holder by the Issuer to be issued to the Holder upon and to the extent that the event actually takes place, upon payment of the current Warrant Price. Notwithstanding any other provision to the contrary herein, if the event for which such record was taken fails to occur or is rescinded, then such escrowed shares shall be cancelled by the Issuer and escrowed property returned.

(i) Certain Issues Excepted. Anything herein to the contrary notwithstanding, the Maker shall not be required to make any adjustment to the Warrant Price in connection with securities issued by the Maker in a Permitted Financing.

5. Notice of Adjustments. Whenever the Warrant Price or Warrant Share Number shall be adjusted pursuant to Section 4 hereof (for purposes of this Section 5, each an “adjustment”), the Issuer shall cause its Chief Financial Officer to prepare and execute a certificate setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated (including a description of the basis on which the Board made any determination hereunder), and the Warrant Price and Warrant Share Number after giving effect to such adjustment, and shall cause copies of such certificate to be delivered to the Holder of this Warrant promptly after each adjustment. Any dispute between the Issuer and the Holder of this Warrant with respect to the matters set forth in such certificate may at the option of the Holder of this Warrant be submitted to a national or regional accounting firm reasonably acceptable to the Issuer and the Holder, provided that the Issuer shall have ten (10) days after receipt of notice from such Holder of its selection of such firm to object thereto, in which case such Holder shall select another such firm and the Issuer shall have no such right of objection. The firm selected by the Holder of this Warrant as provided in the preceding sentence shall be instructed to deliver a written opinion as to such matters to the Issuer and such Holder within thirty (30) days after submission to it of such dispute. Such opinion shall be final and binding on the parties hereto. The costs and expenses of the initial accounting firm shall be paid equally by the Issuer and the Holder and, in the case of an objection by the Issuer, the costs and expenses of the subsequent accounting firm shall be paid in full by the Issuer.

6. Fractional Shares. No fractional shares of Warrant Stock will be issued in connection with any exercise hereof, but in lieu of such fractional shares, the Issuer shall round the number of shares to be issued upon exercise up to the nearest whole number of shares.

7. Ownership Caps and Certain Exercise Restrictions.

(a) Notwithstanding anything to the contrary set forth in this Warrant, at no time may a Holder of this Warrant exercise any portion of this Warrant if the number of shares of Common Stock to be issued pursuant to such exercise would exceed, when aggregated with all other shares of Common Stock beneficially owned by such Holder at such time, the number of shares of Common Stock which would result in such Holder beneficially owning (as determined in accordance with Section 13(d) of the Exchange Act and the rules thereunder) in excess of 4.99% of the then issued and outstanding shares of Common Stock; provided, however, that upon a holder of this Warrant providing the Issuer with sixty-one (61) days notice (pursuant to Section 12 hereof) (the “Waiver Notice”) that such Holder would like to waive this Section 7(a) with regard to any or all shares of Common Stock issuable upon exercise of this Warrant, this Section 7(a) will be of no force or effect with regard to all or a portion of the Warrant referenced in the Waiver Notice; provided, further, that this provision shall be of no further force or effect during the sixty-one (61) days immediately preceding the expiration of the term of this Warrant. In all circumstances, exercise of this Warrant shall be deemed to be the Holder’s representation that such exercise conforms to the provisions of this Section 7(a) and the Issuer shall be under no obligation to verify or ascertain compliance by the Holder with this provision.

(b) The Holder may not exercise the Warrant hereunder to the extent such exercise would result in the Holder beneficially owning (as determined in accordance with Section 13(d) of the Exchange Act and the rules thereunder) in excess of 9.99% of the then issued and outstanding shares of Common Stock, including shares issuable upon exercise of the Warrant held by the Holder after application of this Section; provided, however, that upon a holder of this Warrant providing the Issuer with a Waiver Notice that such holder would like to waive this Section 7(b) with regard to any or all shares of Common Stock issuable upon exercise of this Warrant, this Section 7(b) shall be of no force or effect with regard to those shares of Warrant Stock referenced in the Waiver Notice; provided, further, that this provision shall be of no further force or effect during the sixty-one (61) days immediately preceding the expiration of the term of this Warrant. In all circumstances, exercise of this Warrant shall be deemed to be the Holder’s representation that such exercise conforms to the provisions of this Section 7(b) and the Issuer shall be under no obligation to verify or ascertain compliance by the Holder with this provision.

8. Definitions. For the purposes of this Warrant, the following terms have the following meanings:

“Additional Shares of Common Stock” means all shares of Common Stock issued by the Issuer after the Original Issue Date, and all shares of Other Common, if any, issued by the Issuer after the Original Issue Date, except for those issued in a Permitted Financing.

“Board” shall mean the Board of Directors of the Issuer.

“Capital Stock” means and includes (i) any and all shares, interests, participations or other equivalents of or interests in (however designated) corporate stock, including, without limitation, shares of preferred or preference stock, (ii) all partnership interests (whether general or limited) in any Person which is a partnership, (iii) all membership interests or limited liability company interests in any limited liability company, and (iv) all equity or ownership interests in any Person of any other type.

“Certificate of Incorporation” means the Certificate of Incorporation of the Issuer as in effect on the Original Issue Date, and as hereafter from time to time amended, modified, supplemented or restated in accordance with the terms hereof and thereof and pursuant to applicable law.

“Common Stock” means the Common Stock, \$0.001 par value per share, of the Issuer and any other Capital Stock into which such stock may hereafter be changed.

“Common Stock Equivalent” means any Convertible Security or warrant, option or other right to subscribe for or purchase any Additional Shares of Common Stock or any Convertible Security.

“Convertible Securities” means evidences of Indebtedness, shares of Capital Stock or other Securities which are or may be at any time convertible into or exchangeable for Additional Shares of Common Stock. The term “Convertible Security” means one of the Convertible Securities.

“Governmental Authority” means any governmental, regulatory or self-regulatory entity, department, body, official, authority, commission, board, agency or instrumentality, whether federal, state or local, and whether domestic or foreign.

“Holder” mean the Persons who shall from time to time own any Warrant. The term “Holder” means one of the Holders.

“Independent Appraiser” means a nationally recognized or major regional investment banking firm or firm of independent certified public accountants of recognized standing (which may be the firm that regularly examines the financial statements of the Issuer) that is regularly engaged in the business of appraising the Capital Stock or assets of corporations or other entities as going concerns, and which is not affiliated with either the Issuer or the Holder of any Warrant.

“Issuer” means Ambient Corporation, a Delaware corporation, and its successors.

“Majority Holders” means at any time the Holders of Warrants exercisable for a majority of the shares of Warrant Stock issuable under the Warrants at the time outstanding.

“Original Issue Date” means April 23, 2008.

“OTC Bulletin Board” means the over-the-counter electronic bulletin board.

“Other Common” means any other Capital Stock of the Issuer of any class which shall be authorized at any time after the date of this Warrant (other than Common Stock) and which shall have the right to participate in the distribution of earnings and assets of the Issuer without limitation as to amount.

“Outstanding Common Stock” means, at any given time, the aggregate amount of outstanding shares of Common Stock, assuming full exercise, conversion or exchange (as applicable) of all options, warrants and other Securities which are convertible into or exercisable or exchangeable for, and any right to subscribe for, shares of Common Stock that are outstanding at such time.

“Person” means an individual, corporation, limited liability company, partnership, joint stock company, trust, unincorporated organization, joint venture, Governmental Authority or other entity of whatever nature.

“Per Share Market Value” means on any particular date (a) the last closing bid price per share of the Common Stock on such date on the OTC Bulletin Board or another registered national stock exchange on which the Common Stock is then listed, or if there is no such price on such date, then the closing bid price on such exchange or quotation system on the date nearest preceding such date, or (b) if the Common Stock is not listed then on the OTC Bulletin Board or any registered national stock exchange, the last closing bid price for a share of Common Stock in the over-the-counter market, as reported by the OTC Bulletin Board or in the National Quotation Bureau Incorporated or similar organization or agency succeeding to its functions of reporting prices) at the close of business on such date, or (c) if the Common Stock is not then reported by the OTC Bulletin Board or the National Quotation Bureau Incorporated (or similar organization or agency succeeding to its functions of reporting prices), then the “Pink Sheet” quotes for the applicable Trading Days preceding such date of determination, or (d) if the Common Stock is not then publicly traded the fair market value of a share of Common Stock as determined by an Independent Appraiser selected in good faith by the Majority Holders; provided, however, that the Issuer, after receipt of the determination by such Independent Appraiser, shall have the right to select an additional Independent Appraiser, in which case, the fair market value shall be equal to the average of the determinations by each such Independent Appraiser; and provided, further that all determinations of the Per Share Market Value shall be appropriately adjusted for any stock dividends, stock splits or other similar transactions during such period. The determination of fair market value by an Independent Appraiser shall be based upon the fair market value of the Issuer determined on a going concern basis as between a willing buyer and a willing seller and taking into account all relevant factors determinative of value, and the determination of the additional Independent Appraiser, if any, or of the Independent Appraisers otherwise shall be final and binding on all parties. In determining the fair market value of any shares of Common Stock, no consideration shall be given to any restrictions on transfer of the Common Stock imposed by agreement or by federal or state securities laws, or to the existence or absence of, or any limitations on, voting rights.

“Purchase Agreement” means the Securities Purchase Agreement dated as of April 23, 2008, among the Issuer and the Purchasers.

“Purchasers” means the purchasers of the secured convertible promissory notes and the Warrants issued by the Issuer pursuant to the Purchase Agreement.

“Securities” means any debt or equity securities of the Issuer, whether now or hereafter authorized, any instrument convertible into or exchangeable for Securities or a Security, and any option, warrant or other right to purchase or acquire any Security. “Security” means one of the Securities.

“Securities Act” means the Securities Act of 1933, as amended, or any similar federal statute then in effect.

“Subsidiary” means any corporation at least 50% of whose outstanding Voting Stock shall at the time be owned directly or indirectly by the Issuer or by one or more of its Subsidiaries, or by the Issuer and one or more of its Subsidiaries.

“Term” has the meaning specified in Section 1 hereof.

“Trading Day” means (a) a day on which the Common Stock is traded on the OTC Bulletin Board, or (b) if the Common Stock is not traded on the OTC Bulletin Board, a day on which the Common Stock is quoted in the over-the-counter market as reported by the National Quotation Bureau Incorporated (or any similar organization or agency succeeding its functions of reporting prices); provided, however, that in the event that the Common Stock is not listed or quoted as set forth in (a) or (b) hereof, then Trading Day shall mean any day except Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions in the State of New York are authorized or required by law or other government action to close.

“Voting Stock” means, as applied to the Capital Stock of any corporation, Capital Stock of any class or classes (however designated) having ordinary voting power for the election of a majority of the members of the Board of Directors (or other governing body) of such corporation, other than Capital Stock having such power only by reason of the happening of a contingency.

“Warrants” means the Warrants issued and sold pursuant to the Purchase Agreement, including, without limitation, this Warrant, and any other warrants of like tenor issued in substitution or exchange for any thereof pursuant to the provisions of Section 2(c), 2(d) or 2(e) hereof or of any of such other Warrants.

“Warrant Price” initially means \$0.001, as such price may be adjusted from time to time as shall result from the adjustments specified in this Warrant, including Section 4 hereto.

“Warrant Share Number” means at any time the aggregate number of shares of Warrant Stock which may at such time be purchased upon exercise of this Warrant, after giving effect to all prior adjustments and increases to such number made or required to be made under the terms hereof.

“Warrant Stock” means Common Stock issuable upon exercise of any Warrant or Warrants or otherwise issuable pursuant to any Warrant or Warrants.

9. Other Notices. In case at any time:

- (A) the Issuer shall make any distributions to the holders of Common Stock; or
- (B) the Issuer shall authorize the granting to all holders of its Common Stock of rights to subscribe for or purchase any shares of Capital Stock of any class or other rights; or
- (C) there shall be any reclassification of the Capital Stock of the Issuer; or
- (D) there shall be any capital reorganization by the Issuer; or
- (E) there shall be any (i) consolidation or merger involving the Issuer or (ii) sale, transfer or other disposition of all or substantially all of the Issuer’s property, assets or business (except a merger or other reorganization in which the Issuer shall be the surviving corporation and its shares of Capital Stock shall continue to be outstanding and unchanged and except a

consolidation, merger, sale, transfer or other disposition involving a wholly-owned Subsidiary); or

- (F) there shall be a voluntary or involuntary dissolution, liquidation or winding-up of the Issuer or any partial liquidation of the Issuer or distribution to holders of Common Stock;

then, in each of such cases, the Issuer shall give written notice to the Holder of the date on which (i) the books of the Issuer shall close or a record shall be taken for such dividend, distribution or subscription rights or (ii) such reorganization, reclassification, consolidation, merger, disposition, dissolution, liquidation or winding-up, as the case may be, shall take place. Such notice also shall specify the date as of which the holders of Common Stock of record shall participate in such dividend, distribution or subscription rights, or shall be entitled to exchange their certificates for Common Stock for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, disposition, dissolution, liquidation or winding-up, as the case may be. Such notice shall be given at least twenty (20) days prior to the action in question and not less than ten (10) days prior to the record date or the date on which the Issuer's transfer books are closed in respect thereto. This Warrant entitles the Holder to receive copies of all financial and other information distributed or required to be distributed to the holders of the Common Stock.

10. Amendment and Waiver. Any term, covenant, agreement or condition in this Warrant may be amended, or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively), by a written instrument or written instruments executed by the Issuer and the Majority Holders; provided, however, that no such amendment or waiver shall reduce the Warrant Share Number, increase the Warrant Price, shorten the period during which this Warrant may be exercised or modify any provision of this Section 10 without the consent of the Holder of this Warrant. No consideration shall be offered or paid to any person to amend or consent to a waiver or modification of any provision of this Warrant unless the same consideration is also offered to all holders of the Warrants.

11. Governing Law; Jurisdiction. This Warrant shall be governed by and construed in accordance with the internal laws of the State of New York, without giving effect to any of the conflicts of law principles which would result in the application of the substantive law of another jurisdiction. This Warrant shall not be interpreted or construed with any presumption against the party causing this Warrant to be drafted. The Issuer and the Holder agree that venue for any dispute arising under this Warrant will lie exclusively in the state or federal courts located in New York County, New York, and the parties irrevocably waive any right to raise *forum non conveniens* or any other argument that New York is not the proper venue. The Issuer and the Holder irrevocably consent to personal jurisdiction in the state and federal courts of the state of New York. The Issuer and the Holder consent to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address in effect for notices to it under this Warrant and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing in this Section 11 shall affect or limit any right to serve process in any other manner permitted by law. The Issuer agrees to pay all costs and expenses of enforcement of this Warrant, including, without limitation, reasonable attorneys' fees and expenses. The parties hereby waive all rights to a trial by jury.

12. Notices. Any notice, demand, request, waiver or other communication required or permitted to be given hereunder shall be in writing and shall be effective (a) upon hand delivery by telecopy or facsimile at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a

business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Company:                   Ambient Corporation  
79 Chapel Street  
Newton, Massachusetts 02458  
Attention: Chief Executive Officer  
Tel. No.: (617) 332-0004  
Fax No.: (617) 663-6191

with copies (which copies shall not constitute notice to the Company) to:

Aboudi & Brounstein Law Offices  
3 Gavish Street  
Kfar Saba Ind. Zone 44641 Israel  
Attention: Mr. David Aboudi  
Tel No.: +972-9-764-4833  
Fax No.: +972-9-764-4834

If to the Holder:                   Vicis Capital Master Fund  
Tower 56, Suite 700  
126 E. 56th Street, 7th Floor  
New York, NY 10022  
Phone: (212) 909-4600  
Fax: (212) 909-4601  
Attn: Shad Stastney

with a copy to:

Andrew D. Ketter, Esq.  
Quarles & Brady LLP  
411 East Wisconsin Avenue  
Milwaukee, WI 53202  
Phone: (414) 277-5629  
Fax: (414) 978-8972

Any party hereto may from time to time change its address for notices by giving written notice of such changed address to the other party hereto.

13. Warrant Agent. The Issuer may, by written notice to each Holder of this Warrant, appoint an agent having an office in New York, New York for the purpose of issuing shares of Warrant Stock on the exercise of this Warrant pursuant to subsection (b) of Section 2 hereof, exchanging this Warrant pursuant to subsection (d) of Section 2 hereof or replacing this Warrant pursuant to subsection (d) of Section 3 hereof, or any of the foregoing, and thereafter any such issuance, exchange or replacement, as the case may be, shall be made at such office by such agent.

14. Remedies. The Issuer stipulates that the remedies at law of the Holder of this Warrant in the event of any default or threatened default by the Issuer in the performance of or compliance with any of the terms of this Warrant are not and will not be adequate and that, to the fullest extent permitted by law, such terms may be specifically enforced by a decree for the specific performance of any agreement contained herein or by an injunction against a violation of any of the terms hereof or otherwise.

15. Successors and Assigns. This Warrant and the rights evidenced hereby shall inure to the benefit of and be binding upon the successors and assigns of the Issuer, the Holder hereof and (to the extent provided herein) the Holders of Warrant Stock issued pursuant hereto, and shall be enforceable by any such Holder or Holder of Warrant Stock.

16. Modification and Severability. If, in any action before any court or agency legally empowered to enforce any provision contained herein, any provision hereof is found to be unenforceable, then such provision shall be deemed modified to the extent necessary to make it enforceable by such court or agency. If any such provision is not enforceable as set forth in the preceding sentence, the unenforceability of such provision shall not affect the other provisions of this Warrant, but this Warrant shall be construed as if such unenforceable provision had never been contained herein.

17. Headings. The headings of the Sections of this Warrant are for convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

18. Registration Rights. The Holder of this Warrant is entitled to the benefit of certain registration rights with respect to the shares of Warrant Stock issuable upon the exercise of this Warrant pursuant to that certain Registration Rights Agreement, dated July 31, 2007, by and among the Company and Persons listed on Schedule I thereto (the "Registration Rights Agreement") and the registration rights with respect to the shares of Warrant Stock issuable upon the exercise of this Warrant by any subsequent Holder may only be assigned in accordance with the terms and provisions of the Registrations Rights Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Issuer has executed this Series F Warrant as of the day and year first above written.

AMBIENT CORPORATION

By: /s/ John J. Joyce

Name: John J. Joyce

Title: President

EXERCISE FORM  
SERIES F WARRANT

AMBIENT CORPORATION

The undersigned \_\_\_\_\_, pursuant to the provisions of the within Warrant, hereby elects to purchase \_\_\_\_\_ shares of Common Stock of Ambient Corporation covered by the within Warrant.

Dated: \_\_\_\_\_ Signature \_\_\_\_\_

Address \_\_\_\_\_  
\_\_\_\_\_

Number of shares of Common Stock beneficially owned or deemed beneficially owned by the Holder on the date of Exercise: \_\_\_\_\_

The undersigned is an “accredited investor” as defined in Regulation D under the Securities Act of 1933, as amended.

The undersigned intends that payment of the Warrant Price shall be made as (check one):

Cash Exercise \_\_\_\_\_

Cashless Exercise \_\_\_\_\_

If the Holder has elected a Cash Exercise, the Holder shall pay the sum of \$\_\_\_\_\_ by certified or official bank check (or via wire transfer) to the Issuer in accordance with the terms of the Warrant.

If the Holder has elected a Cashless Exercise, a certificate shall be issued to the Holder for the number of shares equal to the whole number portion of the product of the calculation set forth below, which is \_\_\_\_\_. The Company shall pay a cash adjustment in respect of the fractional portion of the product of the calculation set forth below in an amount equal to the product of the fractional portion of such product and the Per Share Market Value on the date of exercise, which product is \_\_\_\_\_.

$$X = Y - \frac{(A)(Y)}{B}$$

Where:

The number of shares of Common Stock to be issued to the Holder \_\_\_\_\_ (“X”).

The number of shares of Common Stock purchasable upon exercise of all of the Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being exercised \_\_\_\_\_ (“Y”).

The Warrant Price \_\_\_\_\_ (“A”).

The Per Share Market Value of one share of Common Stock \_\_\_\_\_ (“B”).

ASSIGNMENT

FOR VALUE RECEIVED, \_\_\_\_\_ hereby sells, assigns and transfers unto \_\_\_\_\_ the within Warrant and all rights evidenced thereby and does irrevocably constitute and appoint \_\_\_\_\_, attorney, to transfer the said Warrant on the books of the within named corporation.

Dated: \_\_\_\_\_ Signature \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

PARTIAL ASSIGNMENT

FOR VALUE RECEIVED, \_\_\_\_\_ hereby sells, assigns and transfers unto \_\_\_\_\_ the right to purchase \_\_\_\_\_ shares of Warrant Stock evidenced by the within Warrant together with all rights therein, and does irrevocably constitute and appoint \_\_\_\_\_, attorney, to transfer that part of the said Warrant on the books of the within named corporation.

Dated: \_\_\_\_\_ Signature \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

FOR USE BY THE ISSUER ONLY:

This Warrant No. W-\_\_\_ canceled (or transferred or exchanged) this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, shares of Common Stock issued therefor in the name of \_\_\_\_\_, Warrant No. W-\_\_\_\_\_ issued for \_\_\_\_\_ shares of Common Stock in the name of \_\_\_\_\_.

**EXHIBIT 10.1**  
**SECURITIES PURCHASE**  
**AGREEMENT**

**Dated as of April 23, 2008**

**by and among**

**AMBIENT CORPORATION**

**and**

**VICIS CAPITAL MASTER FUND**

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## SECURITIES PURCHASE AGREEMENT

This SECURITIES PURCHASE AGREEMENT dated as of April 23, 2008 (this “Agreement”) by and among Ambient Corporation, a Delaware corporation (the “Company”) and Vicis Capital Master Fund, a series of the Vicis Capital Master Trust, a trust formed under the laws of the Cayman Islands (“Vicis” or the “Purchaser”).

WHEREAS, the Company wishes to undertake a warrant financing, and pursuant to the terms and conditions of this Agreement, the Company wishes to issue and sell to the Purchaser, and the Purchaser wish to acquire from the Company, the warrant identified herein.

WHEREAS, pursuant to those certain Securities Purchase Agreements, dated July 31, 2007, November 1, 2007, and January 15, 2008, by and among the Company, Vicis and the Purchaser named therein (“Prior Purchase Agreements”), Vicis is the holder of: (1) a Series A Warrant (“Series A Warrant”) to purchase 50,000,000 shares of the Company’s common stock, par value \$0.001 per share (the “Common Stock”), (2) a Series B Warrant (“Series B Warrant”) to purchase 100,000,000 shares of the Company’s Common Stock, (3) a Series C Warrant (“Series C Warrant”) to purchase 27,777,778 shares of the Company’s Common Stock, and (4) a Series D Warrant to purchase 55,555,556 shares of the Company’s Common Stock (“Series D Warrant”); and (5) a Series E Warrant to purchase 107,142,857 shares of the Company’s Common Stock (the “Series E Warrant”, together with the Series A Warrant, Series B Warrant, Series C Warrant, and Series D Warrant the “Existing Vicis Warrants”).

WHEREAS, the Existing Vicis Warrants, and certain convertible promissory notes issued by the Company to the Purchaser pursuant to the Prior Purchase Agreements (the “Notes”) are subject to certain anti-dilution provisions (the “Ratchet Provisions”) that require the Company to reduce the exercise price of the Warrants and the conversion price of the Notes in the event that the Company is deemed to issue its Common Stock in certain transactions for a price less than the exercise price of the Warrants or the conversion price of the Notes, as the case may be.

WHEREAS, the Purchaser’s acquisition of warrant hereunder triggers the Ratchet Provisions in the Existing Vicis Warrants, and the Company has agreed to amend the terms of the Existing Vicis Warrants as hereinafter set forth.

WHEREAS, the Purchaser’s acquisition of warrant hereunder triggers the Ratchet Provisions in the Notes, but the Purchaser has agreed to waive application of the Ratchet Provisions contained in the Notes solely in connection with this transaction as hereinafter set forth.

NOW, THEREFORE, the parties hereto hereby agree as follows:

### ARTICLE I

#### PURCHASE AND SALE OF SECURITIES

##### Section 1.1 Purchase and Sale of Securities.

(a) Upon the following terms and conditions, at the Closing, the Company shall issue, sell and deliver to the Purchaser, and the Purchaser shall purchase from the Company, a Series F Warrant to purchase 135,000,000 shares of the Company’s Common Stock (“Series F Warrant”), in substantially the form attached hereto as Exhibit A. The Series F Warrant shall expire five (5) years following the Closing Date and shall have an exercise price per share equal to \$0.001 per share. The Company and the Purchaser are executing

and delivering this Agreement in accordance with and in reliance upon the exemption from securities registration afforded by Section 4(2) of the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (the “Securities Act”), including Regulation D (“Regulation D”), and/or upon such other exemption from the registration requirements of the Securities Act as may be available with respect to any or all of the investments to be made hereunder.

(b) At the Closing, the Purchaser shall deliver \$3,000,000 (the “Purchase Price”) by wire transfer to an account designated by the Company.

(c) The Purchaser acknowledges and agrees that the Company may consummate the sale of additional convertible notes and warrants to other purchasers, on terms substantially similar to the terms of the Prior Purchase Agreements, including without limitation, all pricing terms (provided that, the Company may only sell convertible notes and warrants with conversion and exercise prices, respectively, at or above \$.035 per share), which closing shall occur no later than December 15, 2008, for an aggregate purchase price of up to \$5,000,000 (the “Additional Note and Warrant Financing”); provided that the Purchaser shall have a right to exchange the Notes and Warrants acquired by it hereunder for convertible notes and warrants issued in the Additional Note and Warrant Financing, if the Purchaser, in its sole discretion, determines that the Additional Note and Warrant Financing provides terms more favorable to purchasers thereof. The terms “Notes” and “Warrants” shall also be deemed to include the Additional Notes and Additional Warrants. Subject to the terms and conditions of the Prior Purchase Agreements.

Section 1.2 Conversion Shares / Warrant Shares. The Company hereby represents and warrants to the Purchaser that it has authorized and has reserved and, it hereby covenants to continue to reserve, free of preemptive rights and other similar contractual rights of stockholders, a number of its authorized but unissued shares of Common Stock equal to one hundred percent (100%) of the aggregate number of shares of Common Stock to effect the exercise of the Existing Vicis Warrants and the Series F Warrant as of the Closing Date. Any shares of Common Stock issuable upon exercise of the Warrants or the Amended Vicis Warrants (as defined below), and such shares when issued, are herein referred to as the “Warrant Shares”. The Series F Warrant, the Amended Vicis Warrants, and the Warrant Shares are sometimes collectively referred to herein as the “Securities”.

Section 1.3 Company Security Agreement. All of the obligations of the Company under the Transaction Documents shall be secured by a lien on all the personal property and assets of the Company now existing or hereinafter acquired granted pursuant to that certain Security Agreement dated July 31, 2007 between the Company and Vicis, as agent for the secured parties identified therein (“Security Agreement”), which, except for Permitted Liens (as hereinafter defined), shall be a first lien. The parties acknowledge and agree that the term “Obligations” as defined in the Security Agreement includes all of the obligations of the Company to the Purchaser, including without limitation, those obligations of the Company under the Transaction Documents.

#### Section 1.4 Amendments to Existing Vicis Warrants and Notes.

(a) For no consideration in addition to the Purchase Price paid by Vicis and in accordance with the anti-dilution provisions of the Existing Vicis Warrants, the Company shall: (i) amend the terms of the Series A Warrant to reduce the initial exercise price of the Series A Warrant to \$0.001 and amend and restate the Series A Warrant in the form set forth in Exhibit B-1 (the “Amended Series A Warrant”); (ii) amend the terms of the Series B Warrant to reduce the initial exercise price of the Series B Warrant to \$0.001 and amend and restate the Series B Warrant in the form set forth in Exhibit B-2 (the “Amended Series B Warrant”); (iii) amend the terms of the Series C Warrant to reduce the initial exercise price of the Series C Warrant to \$0.001 and amend and restate the Series C Warrant in the form set forth in Exhibit B-3 (the “Amended Series C”).

Warrant”); (iv) amend the terms of the Series D Warrant to reduce the initial exercise price of the Series D Warrant to \$0.001 and amend and restate the Series D Warrant in the form set forth in Exhibit B-4 (the “Amended Series D Warrant”); (v) amend the terms of the Series E Warrant to reduce the initial exercise price of the Series E Warrant to \$0.001 and amend and restate the Series E Warrant in the form set forth in Exhibit B-5 (the “Amended Series E Warrant”, together with the Amended Series A Warrant, Amended Series B Warrant, and Amended Series C Warrant, and the Amended Series D Warrant, the “Amended Vicis Warrants”).

(b) Notwithstanding the fact that as a result of the issuance of the Series F Warrant hereunder, the Ratchet Provisions applicable to the Notes would require the Company to adjust the conversion price of all such Notes to \$0.001 per share of Common Stock, the Purchaser agrees to waive, in connection with this transaction only, its right to require the Company to adjust such conversion prices. The parties agree that (i) the foregoing waiver shall not be deemed to be a waiver of such right with respect to any future transactions by the Company, (ii) that the foregoing waiver shall not preclude the Purchaser from further enforcement of the Ratchet Provisions in the Notes, and (iii) in the event the Company breaches any of its representations and warranties contained herein as of the date hereof in any material respect, in addition to any other remedies available to Purchaser, the foregoing waiver shall automatically be rescinded and shall no longer be of any force or effect.

(c) The parties agree that the Amended Vicis Warrants remain “Securities” as that term is defined in the Prior Purchase Agreements, and that all obligations of the Company under the Prior Purchase Agreements, and related transaction documents remain in full force and effect as if the Existing Vicis Warrants were not amended hereunder.

## ARTICLE II

### REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations and Warranties of the Company. The Company hereby represents and warrants to the Purchaser, as of the date hereof and the Closing Date (except as set forth on the Schedule of Exceptions delivered to the Purchaser with each numbered Schedule corresponding to the section number herein or in the Commission Documents (as defined below), as follows:

(a) Organization, Good Standing and Power. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and has the requisite corporate power to own, lease and operate its properties and assets and to conduct its business as it is now being conducted. The Company does not have any Subsidiaries (as defined in Section 2.1(g)) or own securities of any kind in any other entity. The Company is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary except for any jurisdiction(s) (alone or in the aggregate) in which the failure to be so qualified will not have a Material Adverse Effect. For the purposes of this Agreement, “Material Adverse Effect” means (i) any material adverse effect on the business, operations, properties, or financial condition of the Company or its Subsidiaries; (ii) any condition, circumstance, or situation that would prohibit or otherwise materially interfere with the ability of the Company to timely perform any of its obligations under this Agreement in any material respect; (iii) any material adverse effect on the legality, validity or enforceability of any Transaction Documents. No proceeding or action has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification

(b) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and perform its obligations under this Agreement, the Series F Warrant, the Amendment and Waiver in the form attached hereto as Exhibit C (the “Waiver”), the Security Agreement, the Irrevocable Transfer Agent Instructions (as defined in Section 3.16 hereof), the Amended Vicis Warrants, and each of the other agreements or instruments entered into by the parties hereto in connection with the transactions contemplated by this Agreement (collectively, the “Transaction Documents”) and to issue and sell the Series F Warrant and Amended Vicis Warrants in accordance with the terms hereof. The execution, delivery and performance of the Transaction Documents by the Company and the consummation by it of the transactions contemplated thereby, including, without limitation, the issuance of the Series F Warrant and Amended Vicis Warrants, have been duly and validly authorized by all necessary corporate action, and no further consent or authorization of the Company, its Board of Directors or stockholders is required. When executed and delivered by the Company, each of the Transaction Documents shall constitute a valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, reorganization, moratorium, liquidation, conservatorship, receivership or similar laws relating to, or affecting generally the enforcement of, creditor’s rights and remedies or by other equitable principles of general application.

(c) Capitalization. The authorized capital stock of the Company, the number of shares of such capital stock issued and outstanding, and the number of shares of capital stock reserved for issuance upon the exercise or conversion of all outstanding warrants, stock options, and other securities issued by the Company, as of the date hereof, are set forth on Schedule 2.1(c) hereto. All of the outstanding shares of the Common Stock and each other outstanding security of the Company have been duly and validly authorized and validly issued, fully paid and nonassessable and were issued in accordance with the registration or qualification provisions of the Securities Act, or pursuant to valid exemptions therefrom. No shares of Common Stock or any other security of the Company are entitled to preemptive rights, registration rights, rights of first refusal or similar rights and there are no outstanding options, warrants, scrip, rights to subscribe to, call or commitments of any character whatsoever relating to, or securities or rights convertible into, or exercisable or exchangeable for, any shares of capital stock of the Company. Furthermore, there are no contracts, commitments, understandings, or arrangements by which the Company is or may become bound to issue additional shares of the capital stock of the Company or options, securities or rights convertible into, or exercisable or exchangeable for, shares of capital stock of the Company. The Company is not a party to or bound by any agreement or understanding granting registration or anti-dilution rights to any person with respect to any of its equity or debt securities. The Company is not a party to, and it has no knowledge of, any agreement or understanding restricting the voting or transfer of any shares of the capital stock of the Company. (i) There are no outstanding debt securities, or other form of material debt of the Company, (ii) there are no contracts, commitments, understandings, agreements or arrangements under which the Company is required to register the sale of any of their securities under the Securities Act, (iii) there are no outstanding securities of the Company which contain any redemption or similar provisions, and there are no contracts, commitments, understandings, agreements or arrangements by which the Company is or may become bound to redeem a security of the Company, and (iv) there are no securities or instruments containing anti-dilution or similar provisions that will be triggered by the issuance of the Securities. Any Person (defined below) with any right to purchase securities of the Company that would be triggered as a result of the transactions contemplated hereby or by any of the other Transaction Documents has irrevocably waived all such rights or the time for the exercise of such rights has passed. There are no options, warrants or other outstanding securities of the Company (including, without limitation, any equity securities issued pursuant to any Company Plan) the vesting of which will be accelerated by the transactions contemplated hereby or by any of the other Transaction Documents. None of the transactions contemplated by this Agreement or by any of the other Transaction Documents shall cause, directly or indirectly, the acceleration of vesting of any options issued pursuant the Company’s stock option plans. The Company does not have any stock appreciation rights or “phantom stock” plans or agreements or any similar

plan or agreement. For purposes of this Agreement, “Person” shall mean an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind. The parties agree that for purposes of this Section 2.1(c), only matters disclosed on Schedule 2.1(c) will be deemed disclosed for purposes of this Agreement, notwithstanding the fact such matter may be also disclosed in a Commission Document.

(d) Issuance of Securities. The Series F Warrant and Amended Vicis Warrants to be issued at the Closing have been duly authorized by all necessary corporate action. When paid for or issued in accordance with the terms hereof, the Series F Warrant shall be, and when issued and delivered in accordance with the terms hereof, the Amended Vicis Warrants shall be, validly issued and outstanding, free and clear of all liens, encumbrances and rights of refusal of any kind. When the Warrant Shares are issued and paid for in accordance with the terms of this Agreement and as set forth in the applicable warrant, as the case may be, such shares will be duly authorized by all necessary corporate action and validly issued and outstanding, fully paid and nonassessable, free and clear of all liens, encumbrances and rights of refusal of any kind and the holders shall be entitled to all rights accorded to a holder of Common Stock.

(e) No Conflicts. The execution, delivery and performance of the Transaction Documents by the Company, the performance by the Company of its obligations under the Series F Warrant, and the Amended Vicis Warrants, and the consummation by the Company of the transactions contemplated hereby and thereby, (including, without limitation, the reservation for issuance of the Warrant Shares and the issuance of the Series F Warrant as contemplated hereby) do not and will not (i) violate or conflict with any provision of the Company’s Certificate of Incorporation (the “Certificate”) or Bylaws (the “Bylaws”), each as amended to date, or any certificate of designations, preferences or rights of any series of preferred stock of the Company; (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of the Company or any subsidiary, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, mortgage, deed of trust, indenture, note, bond, license, lease agreement, instrument or obligation to which the Company is a party or by which the Company’s properties or assets are bound, or (iii) result in a violation of any federal, state, local or foreign statute, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations and regulations of each trading market on which the Common Stock of the Company is listed, quoted or traded on the date hereof (each a “Trading Market”) applicable to the Company or by which any property or asset of the Company are bound or affected, except, with respect to clauses (ii) and (iii) above for such conflicts, defaults, terminations, amendments, acceleration, cancellations and violations as would not, individually or in the aggregate, have a Material Adverse Effect (excluding with respect to federal securities laws ). The Company is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority, self-regulatory organization, or other Person in connection with the execution, delivery and performance by the Company of the Transaction Documents, other than (i) filings required under the Exchange Act (as hereinafter defined) to disclose the existence of the transactions contemplated by this Agreement, (ii) the filing of a registration statement pursuant to the Registration Rights Agreement between the parties dated July 31, 2007, (iii) application(s) to each applicable Trading Market for the listing of the Warrant Shares for trading thereon in the time and manner required thereby, and (iv) the filing of Form D with the Commission and such filings as are required to be made under applicable state securities laws. The Company is unaware of any facts or circumstances which might prevent the Company from obtaining or effecting any of the registration, application or filings pursuant to the preceding sentence.

(f) Commission Documents, Financial Statements. The Common Stock of the Company is registered pursuant to Section 12(g) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Company, for the two years preceding the date hereof, has filed all reports, schedules, forms, statements and other documents required to be filed by it with the Commission pursuant to the reporting requirements of the Exchange Act. At the times of their respective filings, all of the aforementioned reports, schedules, forms, statements and other documents required to be filed by it with the Commission, including, without limitation, the Form 10-KSB for the fiscal year ended December 31, 2007 (the “Form 10-KSB” and, together with the Current Reports on Forms 8-K filed on each of April 3, 2008 and January 17, 2008, the “Commission Documents”) complied in all material respects with the requirements of the Securities Act and the Exchange Act and the rules and regulations of the Commission promulgated thereunder, and did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Each registration statement and any amendment thereto filed by the Company during the two years preceding the date hereof pursuant to the Securities Act and the rules and regulations thereunder, as of the date such statement or amendment became effective, complied as to form in all material respects with the Securities Act and did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein not misleading; and each prospectus filed pursuant to Rule 424(b) under the Securities Act, as of its issue date and as of the closing of any sale of securities pursuant thereto did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. As of their respective dates, the financial statements of the Company included in the Commission Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the Commission. Such financial statements have been prepared in accordance with generally accepted accounting principles (“GAAP”) applied on a consistent basis during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto or (ii) in the case of unaudited interim statements, to the extent they may not include footnotes or year-end adjustments or may be condensed or summary statements), and fairly present in all material respects the financial position of the Company and its Subsidiaries as of the dates thereof and the results of operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments).

(g) Subsidiaries. The Company has no subsidiaries other than Insulated Connections Corporation Limited (the “Subsidiary”). The Subsidiary currently has no assets and is not currently conducting operations of any kind (business or otherwise), and since January 1, 2001, has not conducted any such operations. All of the outstanding shares of capital stock of the Subsidiary have been duly authorized and validly issued, and are fully paid and nonassessable. There are no outstanding preemptive, conversion or other rights, options, warrants or agreements granted or issued by or binding upon the Subsidiary for the purchase or acquisition of any shares of capital stock of the Subsidiary or any other securities convertible into, exchangeable for or evidencing the rights to subscribe for any shares of such capital stock. Neither the Company nor the Subsidiary is subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of the capital stock of the Subsidiary or any convertible securities, rights, warrants or options of the type described in the preceding sentence. Neither the Company nor the Subsidiary is party to, nor has any knowledge of, any agreement restricting the voting or transfer of any shares of the capital stock of the Subsidiary.

(h) No Material Adverse Change. Since December 31, 2007, the Company has not experienced or suffered any Material Adverse Effect, except as disclosed in the Commission Documents.

(i) No Undisclosed Liabilities. The Company has not incurred any liabilities, obligations, claims or losses (whether liquidated or unliquidated, secured or unsecured, absolute, accrued, contingent or otherwise) other than those incurred in the ordinary course of the Company's business or which, individually or in the aggregate, are not reasonably likely to have a Material Adverse Effect.

(j) No Undisclosed Events or Circumstances. Since December 31, 2007, no event or circumstance has occurred or exists with respect to the Company or its businesses, properties, operations or financial condition, which, under Exchange Act, Securities Act, or rules or regulations of any Trading Market, requires public disclosure or announcement by the Company but which has not been so publicly announced or disclosed.

(k) Indebtedness. Schedule 2.1(k) hereto sets forth as of the date hereof all outstanding secured and unsecured Indebtedness of the Company, or Indebtedness for which the Company has commitments, unless previously disclosed in the Commission Documents. For the purposes of this Agreement, "Indebtedness" shall mean (i) all indebtedness for borrowed money, (ii) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (other than trade payables entered into in the ordinary course of business), (iii) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (iv) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses, (v) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (vi) all monetary obligations under any leasing or similar arrangement which, in connection with generally accepted accounting principles, consistently applied for the periods covered thereby, is classified as a capital lease, (vii) all indebtedness referred to in clauses (i) through (vi) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by any Person, even though the Person which owns such assets or property has not assumed or become liable for the payment of such indebtedness, and (viii) all Contingent Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (i) through (vii) above. For the purposes of this Agreement, "Contingent Obligation" shall mean, as to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to any indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto. The Company is not in violation of any term of any agreement relating to, or in default with respect to, any Indebtedness, except any such violations or defaults as, individually or in the aggregate, would not have a Material Adverse Effect. The Company is not a party to any contract, agreement or instrument relating to any Indebtedness, the performance of which, in the judgment of the Company's officers, has or is expected to have a Material Adverse Effect.

(l) Title to Assets. The Company has good and valid title to all of its real and personal property, free and clear of any mortgages, pledges, charges, liens, security interests or other encumbrances ("Liens"). Any Permitted Liens do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property. Any leases of the Company are valid and subsisting and in full force and effect with which the Company is in compliance.

(m) Actions Pending. There is no action, suit, inquiry, notice of violation, proceeding or investigation pending or, to the knowledge of the Company, threatened against or affecting the Common Stock or the Company, any Subsidiary or any of their respective officers, directors or properties before or by any court, arbitrator, governmental or administrative agency, regulatory authority (federal, state, county, local or foreign) or Trading Market (collectively, an “Action”) which (i) adversely affects or challenges the legality, validity or enforceability of any of the Transaction Documents or the Securities or (ii) could, if there were an unfavorable decision, have or reasonably be expected to result in a Material Adverse Effect. To the Company’s knowledge, neither the Company nor any Subsidiary, nor any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty. There has not been, and to the knowledge of the Company, there is not pending or contemplated, any investigation by the Commission involving the Company or any current or former director or officer of the Company. The Commission has not issued any stop order or other order suspending the effectiveness of any registration statement filed by the Company under the Exchange Act or the Securities Act. There is no action, suit, claim, investigation, arbitration, alternate dispute resolution proceeding or other proceeding pending or, to the knowledge of the Company, threatened against or involving the Company or any of its properties or assets, which individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect. There are no outstanding orders, judgments, injunctions, awards or decrees of any court, arbitrator or governmental or regulatory body against the Company or any officers or directors of the Company in their capacities as such, which individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(n) Compliance.

(i) Neither the Company nor the Subsidiary (A) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or any Subsidiary under), nor has the Company or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (B) is in violation of any order of any court, arbitrator or governmental body, or (C) is in violation of any of the provisions of its certificate or articles of incorporation, bylaws or other organizational or charter documents.

(ii) The business of the Company has been and is presently being conducted in accordance with all applicable foreign, federal, state and local governmental laws, rules, regulations and ordinances (including, without limitation, the rules and regulations of applicable communications and energy regulatory authorities), except such that, individually or in the aggregate, the noncompliance therewith could not reasonably be expected to have a Material Adverse Effect. The Company has all franchises, permits, licenses, consents and other governmental or regulatory authorizations and approvals necessary for the conduct of its business as now being conducted by it unless the failure to possess such franchises, permits, licenses, consents and other governmental or regulatory authorizations and approvals, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, and the Company has not received any notice of proceedings relating to the revocation or modification of any of the foregoing.

(o) Taxes. The Company has accurately prepared and filed all federal, state and other tax returns required by law to be filed by it, has paid or made provisions for the payment of all taxes shown to be due and all additional assessments, and adequate provisions have been and are reflected in the financial statements of the Company for all current taxes and other charges to which the Company is subject and which are not currently due and payable. None of the federal income tax returns of the Company have been audited by the Internal Revenue Service. The Company has no knowledge of any additional assessments, adjustments or

contingent tax liability (whether federal or state) of any nature whatsoever, whether pending or threatened against the Company for any period, nor of any basis for any such assessment, adjustment or contingency.

(p) Certain Fees. The Company has not employed any broker or finder or incurred any liability for any brokerage or investment banking fees, commissions, finders' structuring fees, financial advisory fees or other similar fees in connection with the Transaction Documents. The Purchaser shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section incurred by the Company that may be due in connection with the transactions contemplated by this Agreement. The Company shall pay, and hold the Purchaser harmless against, any liability, loss or expense (including, without limitation, attorney's fees and out-of-pocket expenses) arising in connection with any claim for any such fees created or incurred by the Company.

(q) Disclosure. The Company understands and confirms that the Purchaser will rely on the foregoing representations in effecting transactions in securities of the Company. Neither the representations and warranties contained in Section 2.1 of this Agreement or the Schedules hereto nor any other documents, certificates, instruments or other information furnished to the Purchaser by or on behalf of the Company in connection with the transactions contemplated by this Agreement contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein or therein, in the light of the circumstances under which they were made herein or therein, not misleading.

(r) Intellectual Property. The Company and its Subsidiaries own or possess the rights to use all patents, trademarks, domain names (whether or not registered) and any patentable improvements or copyrightable derivative works thereof, websites and intellectual property rights relating thereto, service marks, trade names, copyrights, licenses and authorizations which are necessary for the conduct of its business as now conducted (collectively, the "Intellectual Property Rights") without any conflict with the rights of others, except any failures as, individually or in the aggregate, are not reasonably likely to have a Material Adverse Effect. Neither the Company nor any Subsidiary has received a written notice that the Intellectual Property Rights used by the Company or any Subsidiary violates or infringes upon the rights of any Person. To the knowledge of the Company, all such Intellectual Property Rights are enforceable and there is no existing infringement by another Person of any of the Intellectual Property Rights. The Company and its Subsidiaries have taken reasonable measures to protect the value of the, Intellectual Property Rights.

(s) Environmental Compliance. The Company has obtained all material approvals, authorization, certificates, consents, licenses, orders and permits or other similar authorizations of all governmental authorities, or from any other person, that are required under any Environmental Laws. "Environmental Laws" shall mean all applicable laws relating to the protection of the environment including, without limitation, all requirements pertaining to reporting, licensing, permitting, controlling, investigating or remediating emissions, discharges, releases or threatened releases of hazardous substances, chemical substances, pollutants, contaminants or toxic substances, materials or wastes, whether solid, liquid or gaseous in nature, into the air, surface water, groundwater or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of hazardous substances, chemical substances, pollutants, contaminants or toxic substances, material or wastes, whether solid, liquid or gaseous in nature. Except for such instances as would not individually or in the aggregate have a Material Adverse Effect and to the knowledge of the Company, there are no past or present events, conditions, circumstances, incidents, actions or omissions relating to or in any way affecting the Company that violate or may violate any Environmental Law after the Closing Date or that may give rise to any environmental liability, or otherwise form the basis of any claim, action, demand, suit, proceeding, hearing, study or investigation (i) under any Environmental Law, or (ii) based on or related to the manufacture, processing, distribution, use, treatment, storage (including without limitation underground storage tanks), disposal, transport or handling, or the emission, discharge, release or threatened release of any hazardous substance.

(t) Books and Records; Internal Accounting and Disclosure Controls. The records and documents of the Company accurately reflect in all material respects the information relating to the business of the Company, the location of its assets, and the nature of all transactions giving rise to the obligations or accounts receivable of the Company. The Company maintains a system of internal accounting controls sufficient, in the judgment of the Company's board of directors, to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate actions are taken with respect to any differences. The Company has established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and designed such disclosure controls and procedures to ensure that material information relating to the Company, including its Subsidiaries, is made known to the certifying officers by others within those entities, particularly during the period in which the Company's most recently filed periodic report under the Exchange Act, as the case may be, is being prepared. The Company's certifying officers have evaluated the effectiveness of the Company's controls and procedures as of the date prior to the filing date of the most recently filed periodic report under the Exchange Act (such date, the "Evaluation Date"). The Company presented in its most recently filed periodic report under the Exchange Act the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no significant changes in the Company's internal controls (as such term is defined in Item 307(c) of Regulation S-B under the Exchange Act) or, to the Company's knowledge, in other factors that could significantly affect the Company's internal controls. The Company maintains and will continue to maintain a standard system of accounting established and administered in accordance with United States GAAP and the applicable requirements of the Exchange Act.

(u) Material Agreements. Except for the Transaction Documents (with respect to clause (i) only), as disclosed in the Commission Documents or as set forth on Schedule 2.1(u) hereto, or as would not be reasonably likely to have a Material Adverse Effect, (i) the Company has performed all obligations required to be performed by it to date under any written or oral contract, instrument, agreement, commitment, obligation, plan or arrangement, filed or required to be filed with the Commission (the "Material Agreements"), (ii) the Company has not received any notice of default under any Material Agreement, (iii) the Company is not in default under any Material Agreement now in effect, and no event has occurred or circumstance exists that (with or without notice or lapse of time) may contravene, conflict with or result in a violation or breach of, or give the Company or any other entity the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate or modify any Material Agreement, (iv) each Material Agreement is in full force and effect and is valid and enforceable in accordance with its terms.

(v) Transactions with Affiliates. There are no loans, leases, agreements, contracts, royalty agreements, management contracts or arrangements or other continuing transactions between (a) the Company or any of its customers or suppliers on the one hand, and (b) on the other hand, any officer, employee, consultant or director of the Company, or any person owning at least 5% of the outstanding capital stock of the Company or any member of the immediate family of such officer, employee, consultant, director or stockholder or any corporation or other entity controlled by such officer, employee, consultant, director or stockholder, or a member of the immediate family of such officer, employee, consultant, director or stockholder which, in each case, is required to be disclosed in the Commission Documents or in the Company's most recently filed definitive proxy statement on Schedule 14A, that is not so disclosed in the Commission Documents or in such proxy statement.

(w) Securities Act of 1933. Based in material part upon the representations herein of the Purchaser, the Company has complied and will comply with all applicable federal and state securities laws in connection with the offer, issuance and sale of the Securities hereunder (except in the case of state securities laws, for any failures to comply that, individually or in the aggregate, are not reasonably likely to have a Material Adverse Effect). Assuming the accuracy of the representations and warranties in Section 2.2 hereof, no registration under the Securities Act is required for the offer and sale of the Securities by the Company to the Purchaser as is contemplated hereby. Neither the Company nor anyone acting on its behalf, directly or indirectly, has or will sell, offer to sell or solicit offers to buy any of the Securities or similar securities to, or solicit offers with respect thereto from, or enter into any negotiations relating thereto with, any Person, or has taken or will take any action so as to either (i) bring the issuance and sale of any of the Securities under the registration provisions of the Securities Act or applicable state securities laws, or (ii) trigger shareholder approval provisions under the rules or regulations of any Trading Market. Neither the Company nor any of its affiliates, nor any Person acting on its or their behalf, has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D under the Securities Act) in connection with the offer or sale of any of the Securities.

(x) Employees. The Company is not a party to any collective bargaining arrangements or agreements covering any of its employees, nor does it employ any member of a union. The Company does not have any employment contract, agreement regarding proprietary information, non-competition agreement, non-solicitation agreement, confidentiality agreement, or any other similar contract or restrictive covenant, relating to the right of any officer, employee or consultant to be employed or engaged by the Company required to be disclosed in the Commission Documents that is not so disclosed. Neither the Company, nor any employee to the knowledge of the Company, is in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement, non-competition agreement, or any other contract or agreement or any restrictive covenant. The Company is in compliance with all federal, state, local and foreign laws and regulations respecting employment and employment practices, terms and conditions of employment and wages and hours, except where failure to be in compliance would not, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. No officer, consultant or key employee of the Company whose termination, either individually or in the aggregate, would be reasonably likely to have a Material Adverse Effect, has terminated or, to the knowledge of the Company, has any present intention of terminating his or her employment or engagement with the Company. No material labor dispute exists or, to the knowledge of the Company, is imminent with respect to any of the employees of the Company which could reasonably be expected to result in a Material Adverse Effect.

(y) Absence of Certain Developments. Since December 31, 2007, the Company has not:

(i) issued any stock, bonds or other corporate securities or any right, options or warrants with respect thereto, except pursuant to the exercise or conversion of securities outstanding as of such date;

(ii) borrowed any amount in excess of \$100,000 or incurred or become subject to any other liabilities in excess of \$100,000 (absolute or contingent) except current liabilities incurred in the ordinary course of business which are comparable in nature and amount to the current liabilities incurred in the ordinary course of business during the comparable portion of its prior fiscal year, as adjusted to reflect the current nature and volume of the business of the Company;

(iii) discharged or satisfied any lien or encumbrance in excess of \$100,000 or paid any obligation or liability (absolute or contingent) in excess of \$100,000, other than current liabilities paid in the ordinary course of business;

(iv) declared or made any payment or distribution of cash or other property to stockholders with respect to its stock, or purchased or redeemed, or made any agreements so to purchase or redeem, any shares of its capital stock, in each case in excess of \$50,000 individually or \$100,000 in the aggregate;

(v) sold, assigned or transferred any other tangible assets, or canceled any debts or claims, in each case in excess of \$100,000, except in the ordinary course of business;

(vi) sold, assigned or transferred any patent rights, trademarks, trade names, copyrights, trade secrets or other intangible assets or intellectual property rights in excess of \$100,000, or disclosed any proprietary confidential information to any person except to customers in the ordinary course of business or to the Purchaser or their representatives;

(vii) suffered any material losses or waived any rights of material value, whether or not in the ordinary course of business, or suffered the loss of any material amount of prospective business;

(viii) made any changes in employee compensation except in the ordinary course of business and consistent with past practices;

(ix) made capital expenditures or commitments therefor that aggregate in excess of \$100,000;

(x) entered into any material transaction, whether or not in the ordinary course of business which has not been disclosed in the Commission Documents;

(xi) made charitable contributions or pledges in excess of \$10,000;

(xii) suffered any material damage, destruction or casualty loss, whether or not covered by insurance;

(xiii) experienced any material problems with labor or management in connection with the terms and conditions of their employment;

(xiv) altered its method of accounting;

(xv) issued any equity securities to any officer, director or Affiliate, except pursuant to existing Company stock option plans;

(xvi) taken any steps to seek protection pursuant to any bankruptcy or similar law; or

(xvii) entered into an agreement, written or otherwise, to take any of the foregoing actions.

(z) Investment Company Act Status. The Company is not, and immediately after receipt of payment for the Securities will not be, an “investment company”, an “affiliated person” of, “promoter” for or “principal underwriter” for, or an entity “controlled” by an “investment company”, within the meaning of the Investment Company Act of 1940, as amended.

(aa) ERISA. No liability to the Pension Benefit Guaranty Corporation has been incurred with respect to any Plan (as defined below) by the Company which is or would be materially adverse to the Company. The execution and delivery of this Agreement and the issuance and sale of the Securities will not involve any transaction which is subject to the prohibitions of Section 406 of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) or in connection with which a tax could be imposed pursuant to Section 4975 of the Internal Revenue Code of 1986, as amended, provided that, if any of the Purchaser, or any person or entity that owns a beneficial interest in any of the Purchaser, is an “employee pension benefit plan” (within the meaning of Section 3(2) of ERISA) with respect to which the Company is a “party in interest” (within the meaning of Section 3(14) of ERISA), the requirements of Sections 407(d)(5) and 408(e) of ERISA, if applicable, are met. As used in this Section 2.1(aa), the term “Plan” shall mean an “employee pension benefit plan” (as defined in Section 3 of ERISA) which is or has been established or maintained, or to which contributions are or have been made, by the Company or by any trade or business, whether or not incorporated, which, together with the Company, is under common control, as described in Section 414(b) or (c) of the Code.

(bb) [Intentionally Omitted]

(cc) No Integrated Offering. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf, has directly or indirectly made any offers or sales of any security or solicited any offers to buy any security under circumstances that would cause the offering of the Securities pursuant to this Agreement to be integrated with prior offerings by the Company for purposes of the Securities Act in a manner that would prevent the Company from selling the Securities pursuant to Regulation D and Rule 506 thereof under the Securities Act, nor will the Company or any of its affiliates or subsidiaries take any action or steps that would cause the offering of the Securities to be integrated with other offerings. The Company does not have any registration statement pending before the Commission or currently under the Commission’s review. Since December 1, 2006, the Company has not offered or sold any of its equity securities or debt securities convertible into shares of Common Stock.

(dd) Sarbanes-Oxley Act. The Company is in compliance with the applicable provisions of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), and the rules and regulations promulgated thereunder, that are effective and presently applicable to the Company and intends to comply with other applicable provisions of the Sarbanes-Oxley Act, and the rules and regulations promulgated thereunder, upon the effectiveness and applicability of such provisions with respect to the Company.

(ee) Dilutive Effect. The Company understands and acknowledges that its obligation to issue the Warrant Shares upon the exercise of the Series F Warrant and the Amended Vicis Warrants in accordance with this Agreement and the applicable warrant, is, in each case, absolute and unconditional regardless of the dilutive effect that such issuance may have on the ownership interest of other stockholders of the Company.

(ff) DTC Status. The Company’s current transfer agent is a participant in and the Common Stock is eligible for transfer pursuant to the Depository Trust Company Automated Securities Transfer Program.

(gg) Insurance. The Company and the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which the Company and the Subsidiaries are engaged, including, but not limited to, directors and officers insurance coverage of at least \$10 million. To the best of Company’s knowledge, such insurance contracts and policies are accurate and complete. Neither the Company nor any Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without a significant increase in cost.

(hh) Solvency. After giving effect to the transactions contemplated hereby to occur at the Closing, the Company will not be Insolvent (as hereinafter defined). For purposes of this Agreement, “Insolvent” means (i) the Company is unable to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured, (ii) the Company intends to incur or believes that it will incur debts that would be beyond its ability to pay as such debts mature or (iii) the Company has unreasonably small capital with which to conduct the business in which it is engaged as such business is now conducted and is proposed to be conducted. The Company has no knowledge of any facts or circumstances which lead it to believe that it will file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction within one year from the Closing Date nor does it have any knowledge or reason to believe that its creditors intend to initiate involuntary bankruptcy or similar proceedings or any knowledge of any fact which would reasonably lead a creditor to do so.

(ii) Listing and Maintenance Requirements. The Company’s Common Stock is registered pursuant to Section 12(g) of the Exchange Act, and the Company has taken no action designed to, or which to its knowledge is likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act nor has the Company received any notification that the Commission is contemplating terminating such registration. The Company has not, in the 12 months preceding the date hereof, received notice from any Trading Market on which the Common Stock is or has been listed or quoted to the effect that the Company is not in compliance with the listing or maintenance requirements of such Trading Market. The Company is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such maintenance requirements.

(jj) Application of Takeover Protections. The Company and its Board of Directors have taken all necessary action, if any, in order to render inapplicable any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under the Company’s Certificate of Incorporation (or similar charter documents) or the laws of its state of incorporation that is or could become applicable to the Purchaser as a result of the Purchaser and the Company fulfilling their obligations or exercising their rights under the Transaction Documents, including without limitation the Company’s issuance of the Securities and the Purchaser’s ownership of the Securities.

(kk) Foreign Corrupt Practices. Neither the Company nor any Subsidiary, nor to the knowledge of the Company, any agent or other person acting on behalf of the Company or any Subsidiary, has (i) directly or indirectly, used any corporate funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company (or made by any person acting on its behalf of which the Company is aware) which is in violation of law, or (iv) violated in any material respect any provision of the Foreign Corrupt Practices Act of 1977, as amended.

(ll) Off-Balance Sheet Arrangements. There is no transaction, arrangement, or other relationship between the Company and an unconsolidated or other off balance sheet entity that is required to be disclosed by the Company in its Exchange Act filings and is not so disclosed or that otherwise would be reasonably likely to have a Material Adverse Effect.

(mm) Manipulation of Price. The Company has not, and to its knowledge no one acting on its behalf has, (i) taken, directly or indirectly, any action designed to cause or to result or that could reasonably be expected to cause or result, in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities or (ii) other than the Placement Agent, sold, bid for, purchased, or paid any compensation for soliciting purchases of, any of the Securities.

(nn) Inventory. All inventory of the Company consists of a quality and quantity usable and salable in the ordinary course of business, except for obsolete items and items of below-standard quality, all of which have been or will be written off or written down to net realizable value on the audited consolidated balance sheet of the Company and its Subsidiaries as of December 31, 2007. The quantities of each type of inventory (whether raw materials, work-in-process, or finished goods) are not excessive, but are reasonable and warranted in the present circumstances of the Company.

(oo) [Intentionally Omitted]

(pp) No Disagreements with Accountants. There are no disagreements of any kind presently existing, or reasonably anticipated by the Company to arise, between the Company and the accountants formerly or presently employed by the Company.

Section 2.2 Representations and Warranties of the Purchaser. The Purchaser hereby represents and warrants to the Company as follows as of the date hereof and as of the Closing Date:

(a) Organization and Standing of the Purchaser. The Purchaser is a trust organized, validly existing and in good standing under the laws of the jurisdiction of its organization.

(b) Authorization and Power. The Purchaser has the requisite power and authority to enter into and perform its obligations under the Transaction Documents and to purchase the Series F Warrant being sold to it hereunder. The execution, delivery and performance of the Transaction Documents by the Purchaser and the consummation by it of the transactions contemplated hereby have been duly authorized by all necessary action, and no further consent or authorization of the Purchaser is required. When executed and delivered by the Purchaser, the other Transaction Documents shall constitute valid and binding obligations of the Purchaser enforceable against the Purchaser in accordance with their terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation, conservatorship, receivership or similar laws relating to, or affecting generally the enforcement of, creditor's rights and remedies or by other equitable principles of general application.

(c) No Conflict. The execution, delivery and performance of the Transaction Documents by the Purchaser and the consummation by the Purchaser of the transactions contemplated thereby and hereby do not and will not (i) violate any provision of the Purchaser's charter or organizational documents, (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, mortgage, deed of trust, indenture, note, bond, license, lease agreement, instrument or obligation to which the Purchaser is a party or by which the Purchaser's respective properties or assets are bound, or (iii) result in a violation of any federal, state, local or foreign statute, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations) applicable to the Purchaser or by which any property or asset of the Purchaser are bound or affected, except, in all cases, other than violations pursuant to clauses (ii) or (iii) (with respect to federal and state securities laws) above, except, for such conflicts, defaults, terminations, amendments, acceleration, cancellations and violations as would not, individually or in the aggregate, materially and adversely affect the Purchaser's ability to perform its obligations under the Transaction Documents.

(d) Acquisition for Investment. The Purchaser is purchasing the Series F Warrant solely for its own account and not with a view to, or for sale in connection with, public sale or distribution thereof. The Purchaser does not have a present intention to sell the Series F Warrant, nor a present arrangement (whether or not legally binding) or intention to effect any distribution thereof to or through any person or entity; provided, however, that by making the representations herein, the Purchaser does not agree to hold the Series F Warrant for any minimum or other specific term and reserves the right to dispose of it at any time in accordance with

federal and state securities laws applicable to such disposition. The Purchaser acknowledges that it (i) has such knowledge and experience in financial and business matters such that Purchaser is capable of evaluating the merits and risks of Purchaser's investment in the Company, (ii) is able to bear the financial risks associated with an investment in the Series F Warrant and (iii) has been given full access to such records of the Company and to the officers of the Company as it has deemed necessary or appropriate to conduct its due diligence investigation. The Purchaser understands that its investment in the Series F Warrant involves a high degree of risk.

(e) Rule 144. The Purchaser understands that the Series F Warrant must be held indefinitely unless it is registered under the Securities Act or an exemption from registration is available. The Purchaser acknowledges that it is familiar with Rule 144 of the rules and regulations of the Commission, as amended, promulgated pursuant to the Securities Act ("Rule 144"), and that the Purchaser has been advised that Rule 144 permits resales only under certain circumstances. The Purchaser understands that to the extent that Rule 144 is not available, the Purchaser will be unable to sell the Series F Warrant without either registration under the Securities Act or the existence of another exemption from such registration requirement.

(f) General. The Purchaser understands that the Series F Warrant is being offered and sold in reliance on a transactional exemption from the registration requirements of federal and state securities laws and the Company is relying upon the truth and accuracy of the representations, warranties, agreements, acknowledgments and understandings of the Purchaser set forth herein in order to determine the applicability of such exemptions and the suitability of the Purchaser to acquire the Series F Warrant. The Purchaser understands that no United States federal or state agency or any government or governmental agency has passed upon or made any recommendation or endorsement of the Series F Warrant.

(g) No General Solicitation. The Purchaser acknowledges that the Series F Warrant were not offered to the Purchaser by means of any form of general or public solicitation or general advertising, or publicly disseminated advertisements or sales literature, including (i) any advertisement, article, notice or other communication published in any newspaper, magazine, Internet website or similar media, or broadcast over television or radio, or (ii) any seminar or meeting to which the Purchaser was invited by any of the foregoing means of communications. The Purchaser, in making the decision to purchase the Series F Warrant, has relied upon independent investigation made by it and its advisors.

(h) Accredited Investor. The Purchaser is an "accredited investor" (as defined in Rule 501 of Regulation D), and the Purchaser has such experience in business and financial matters that it is capable of evaluating the merits and risks of an investment in the Series F Warrant. The Purchaser is not required to be registered as a broker-dealer under Section 15 of the Exchange Act and the Purchaser is not a broker-dealer. The Purchaser acknowledges that an investment in the Securities is speculative and involves a high degree of risk.

(i) Certain Fees. The Purchaser has not employed any broker or finder or incurred any liability for any brokerage or investment banking fees, commissions, finders' structuring fees, financial advisory fees or other similar fees in connection with the Transaction Documents.

(j) [Intentionally Omitted]

(k) No Trading. Commencing on the date that the Purchaser were initially contacted regarding an investment in the Series F Warrant, none of the Purchaser has engaged in any short sale of the Common Stock and will not engage in any short sale of the Common Stock prior to the date that is thirty (30) days following the date that the transactions contemplated by this Agreement are announced pursuant to Section 3.10 hereof.

(1) Due Diligence. The Purchaser, severally and not jointly, hereby represents that, in connection with the Purchaser's investment or the Purchaser's decision to purchase the Series F Warrant, the Purchaser has not relied on any statement or representation of any Person, including any such statement or representation by the Company or the placement agent or any of their respective controlling Persons, officers, directors, partners, agents and employees or any of their respective attorneys, except as specifically set forth herein..

### **ARTICLE III**

#### **COVENANTS**

For so long as any Note is outstanding, the Company covenants with the Purchaser as follows, which covenants are for the benefit of the Purchaser and their respective permitted assignees.

Section 3.1 Securities Compliance. The Company shall notify the Commission in accordance with its rules and regulations, of the transactions contemplated by any of the Transaction Documents and shall take all other necessary action and proceedings as may be required and permitted by applicable law, rule and regulation, for the legal and valid issuance of the Securities to the Purchaser, or their respective subsequent holders.

Section 3.2 Registration and Listing. The Company shall cause its Common Stock to continue to be registered under Sections 12(b) or 12(g) of the Exchange Act, to comply in all respects with its reporting and filing obligations under the Exchange Act, to comply with all requirements related to any registration statement filed pursuant to this Agreement, and to not take any action or file any document (whether or not permitted by the Securities Act or the rules promulgated thereunder) to terminate or suspend such registration or to terminate or suspend its reporting and filing obligations under the Exchange Act or Securities Act, except as permitted herein. The Company will take all action necessary to continue the listing or trading of its Common Stock on the Trading Market, and as soon as reasonably practicable following the Closing to list all of the Warrant Shares on such Trading Market. The Company further agrees, if the Company applies to have the Common Stock traded on any other Trading Market, it will include in such application all of the Warrant Shares, and will take such other action as is necessary to cause all of the Warrant Shares to be listed on such other Trading Market as promptly as possible. The Company will take all action reasonably necessary to continue the listing and trading of its Common Stock on a Trading Market and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Trading Market. Subject to the terms of the Transaction Documents, the Company further covenants that it will take such further action as the Purchaser may reasonably request, all to the extent required from time to time to enable the Purchaser to sell the Warrant Shares without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 promulgated under the Securities Act. Upon the request of the Purchaser, the Company shall deliver to the Purchaser a written certification of a duly authorized officer as to whether it has complied with the issuer requirements of Rule 144.

Section 3.3 Inspection Rights. Provided the same would not be in violation of Regulation FD, the Company shall permit, during normal business hours and upon reasonable request and reasonable notice, the Purchaser or any employees, agents or representatives thereof, so long as the Purchaser shall beneficially own any Warrant Shares, for purposes reasonably related to the Purchaser's interests as a stockholder, to examine the publicly available, non-confidential records and books of account of, and visit and inspect the properties, assets, operations and business of the Company, and to discuss the publicly available, non-confidential affairs, finances and accounts of the Company with any of its officers, consultants, directors and key employees. Nothing contained herein shall be construed to limit any rights which a holder of any Securities may otherwise have with

respect to the books and records of the Company and its subsidiaries, to inspect its properties or to discuss its affairs, finances and accounts.

Section 3.4 Compliance with Laws. The Company shall and shall cause each of its subsidiaries to duly comply in all material respects with any material laws, ordinances, rules and regulations of any foreign, federal, state or local government or any agency thereof, or any writ, order or decree, and conform to all valid requirements of governmental authorities relating to the conduct of their respective businesses, properties or assets.

Section 3.5 Keeping of Records and Books of Account. The Company shall keep adequate records and books of account, in which full, true and complete entries will be made in accordance with GAAP consistently applied, reflecting all financial transactions of the Company and its Subsidiaries, and in which, for each fiscal year, all proper reserves for depreciation, depletion, obsolescence, amortization, taxes, bad debts and other purposes in connection with its business shall be made.

Section 3.6 Reporting Requirements. If the Commission ceases making the Company's periodic reports available via the Internet without charge, then the Company shall furnish the following to the Purchaser so long as the Purchaser shall beneficially own Warrant Shares:

(a) Quarterly Reports filed with the Commission on Form 10-QSB as soon as practical after the document is filed with the Commission, and in any event within five (5) days after the document is filed with the Commission;

(b) Annual Reports filed with the Commission on Form 10-KSB as soon as practical after the document is filed with the Commission, and in any event within five (5) days after the document is filed with the Commission; and

(c) Copies of all notices, information and proxy statements in connection with any meetings that are, in each case, provided to holders of shares of Common Stock, contemporaneously with the delivery of such notices or information to such holders of Common Stock.

Section 3.7 Other Agreements. The Company shall not enter into any agreement in which the terms of such agreement would restrict or impair the right or ability to perform of the Company under any Transaction Document.

Section 3.8 Use of Proceeds. The net proceeds from the sale of the Series F Warrant hereunder shall be used by the Company for working capital, general corporate purposes and the funding of the Company's strategic initiatives and not to repay any Indebtedness or redeem any Common Stock or securities convertible, exercisable or exchangeable into Common Stock or to settle any outstanding litigation.

Section 3.9 Reporting Status. For so long as a Purchaser beneficially owns any of the Warrant Shares, and until such time as all the Securities are saleable by the Purchaser under Rule 144 under the Securities Act without regard to volume and manner of sale limitations, the Company shall timely file all reports required to be filed with the Commission pursuant to the Exchange Act, and the Company shall not terminate its status as an issuer required to file reports under the Exchange Act even if the Exchange Act or the rules and regulations thereunder would permit such termination. As long as the Purchaser owns Warrant Shares, the Company will prepare and furnish to the Purchaser and make publicly available in accordance with Rule 144 or any successor rule such information as is required for the Purchaser to sell the Warrant Shares under Rule 144. The Company further covenants that it will take such further action as any holder of Securities may reasonably request, all to the extent required from time to time to enable such Person to sell such Warrant

Shares without registration under the Securities Act within the limitation of the exemptions provided by Rule 144.

Section 3.10 Disclosure of Transaction. The Company shall issue a press release describing the material terms of the transactions contemplated hereby (the “Press Release”) on the day of the Closing but in no event later than one hour after the Closing; provided, however, that if the Closing occurs after 4:00 P.M. Eastern Time on any Trading Day, the Company shall issue the Press Release no later than 9:00 A.M. Eastern Time on the first Trading Day following the Closing Date. The Company shall also file with the Commission a Current Report on Form 8-K (the “Form 8-K”) describing the material terms of the transactions contemplated hereby (and attaching as exhibits thereto this Agreement, the form of Series F Warrant, the Waiver, and the Press Release) as soon as practicable following the Closing Date but in no event more than two (2) Trading Days following the Closing Date, which Press Release and Form 8-K shall be subject to prior review and reasonable comment by the Purchaser. “Trading Day” means any day during which the principal exchange on which the Common Stock is traded shall be open for trading.

Section 3.11 Disclosure of Material Information. The Company covenants and agrees that neither it nor any other person acting on its behalf has provided or will provide the Purchaser or its agents or counsel with any information that the Company believes constitutes material non-public information, unless prior thereto the Purchaser shall have executed a written agreement regarding the confidentiality and use of such information. The Company understands and confirms that the Purchaser shall be relying on the foregoing representations in effecting transactions in securities of the Company.

Section 3.12 Pledge of Securities. The Company acknowledges that the Series F Warrant or Warrant Shares may be pledged by the Purchaser in connection with a bona fide margin agreement or other loan or financing arrangement that is secured by the Series F Warrant or Warrant Shares. The pledge of Series F Warrant or Warrant Shares shall not be deemed to be a transfer, sale or assignment of the Series F Warrant or Warrant Shares hereunder, and the Purchaser effecting a pledge of the Series F Warrant or Warrant Shares shall not be required to provide the Company with any notice thereof or otherwise make any delivery to the Company pursuant to this Agreement or any other Transaction Document; provided that the Purchaser and its pledgee shall be required to comply with the provisions of Article V hereof in order to effect a sale, transfer or assignment of the Series F Warrant or Warrant Shares to such pledgee. At the Purchaser’s expense, the Company hereby agrees to execute and deliver such documentation as a pledgee of the Series F Warrant or Warrant Shares may reasonably request in connection with a pledge of the Series F Warrant or Warrant Shares to such pledgee by a Purchaser.

Section 3.13 Amendments. The Company shall not amend or waive any provision of the Certificate of Incorporation or Bylaws of the Company in any way that materially adversely affects the rights of the Purchaser without the prior written consent of the holders of the majority of the aggregate principal amount of Notes then outstanding (the “Majority Holders”). For the purposes of clarity, it is agreed that the increase from time to time, as approved and recommended to the Company’s stockholders by the Company’s board of directors, of the Company’s pool of authorized and available Common Stock, shall not be deemed or construed to materially adversely affect the rights of the Purchaser.

Section 3.14 Distributions. So long as any Note remains outstanding, the Company agrees that it shall not, without the prior written consent of the Majority Holders (i) declare or pay any dividends or make any distributions to any holder(s) of any shares of capital stock of the Company or (ii) purchase, redeem or otherwise acquire for value, directly or indirectly, any shares of capital stock of the Company or warrants or rights to acquire such capital stock.

Section 3.15 Reservation of Shares. So long as any Note, the Series F Warrant, or any Amended Vicis Warrant, remains outstanding, the Company shall take all action necessary to at all times have authorized and reserved solely for the purpose of issuance of the Warrant Shares, one hundred percent (100%) of the aggregate number of shares of Common Stock needed to provide for the issuance of the Warrant Shares, free and clear of any preemptive rights.

Section 3.16 [Intentionally Omitted]

Section 3.17 [Intentionally Omitted].

Section 3.18 [Intentionally Omitted]

Section 3.19 [Intentionally Omitted]

Section 3.20 Subsequent Financings.

(a) For a period of one (1) year following the Closing Date, the Company covenants and agrees to promptly notify (in no event later than five (5) days after making or receiving an applicable offer) in writing (a “Rights Notice”) the Purchaser of the terms and conditions of any proposed private offer or sale to, or exchange with (or other type of distribution to) any third party (a “Subsequent Financing”), of Common Stock or any debt or equity securities convertible, exercisable or exchangeable into Common Stock; provided, however, prior to delivering a Rights Notice to the Purchaser, the Company shall first deliver to the Purchaser a written notice of the Company’s intention to effect a Subsequent Financing (“Pre-Notice”) within three (3) Trading Days of making or receiving an applicable offer, which Pre-Notice shall ask the Purchaser if it wants to review the details of such financing. The Purchaser must notify the Company within three (3) Trading Days of receipt of the Pre-Notice that the Purchaser elects to review the details of such financing (“Pre-Notice Acceptance”). Upon the Company’s receipt of a Pre-Notice Acceptance, and only upon the Company’s receipt of a Pre-Notice Acceptance, the Company shall promptly, but no later than two (2) Trading Days after such receipt, deliver a Rights Notice to the Purchaser. The Rights Notice shall describe, in reasonable detail, the proposed Subsequent Financing, the names and investment amounts of all investors participating in the Subsequent Financing, the proposed closing date of the Subsequent Financing, which shall be within twenty (20) calendar days from the date of the Rights Notice, and all of the terms and conditions thereof and proposed definitive documentation to be entered into in connection therewith. The Rights Notice shall provide the Purchaser an option (the “Rights Option”) during the five (5) Trading Days following delivery of the Rights Notice (the “Option Period”) to inform the Company whether the Purchaser will purchase up to its pro rata portion of all or a portion of the securities being offered in such Subsequent Financing on the same, absolute terms and conditions as contemplated by such Subsequent Financing. For the avoidance of doubt, the Purchaser may elect to participate in up to 100% of the Subsequent Financing. If any Purchaser elects not to participate in such Subsequent Financing, the other Purchaser may participate on a pro-rata basis so long as such participation in the aggregate does not exceed the aggregate Purchase Price of all Purchaser hereunder. For purposes of this Section, all references to “pro rata” means, for any Purchaser electing to participate in such Subsequent Financing, the percentage obtained by dividing (x) the principal amount of the Notes purchased by the Purchaser at the Closing by (y) the total principal amount of all of the Notes purchased by all of the participating Purchaser at the Closing. Delivery of any Rights Notice constitutes a representation and warranty by the Company that there are no other material terms and conditions, arrangements, agreements or otherwise except for those disclosed in the Rights Notice, to provide additional compensation to any party participating in any proposed Subsequent Financing, including, but not limited to, additional compensation based on changes in the Purchase Price or any type of reset or adjustment of a purchase or conversion price or to issue additional securities at any time after the closing date of a Subsequent Financing. If the Company does not receive notice of exercise of the Rights Option from the Purchaser within the Option Period, the Company shall have the right

to close the Subsequent Financing on the scheduled closing date with a third party; provided that all of the material terms and conditions of the closing are the same as those provided to the Purchaser in the Rights Notice. If the closing of the proposed Subsequent Financing does not occur within five (5) Trading Days of that date, any closing of the contemplated Subsequent Financing or any other Subsequent Financing shall be subject to all of the provisions of this Section 3.20(a), including, without limitation, the delivery of a new Rights Notice. The provisions of this Section 3.20(a) shall not apply to issuances of securities in a Permitted Financing.

(b) For purposes of this Agreement, a Permitted Financing (as defined hereinafter) shall not be considered a Subsequent Financing. A “Permitted Financing” shall mean (i) securities issued (other than for cash) in connection with a merger, acquisition, or consolidation, (ii) securities issued pursuant to the conversion or exercise of convertible or exercisable securities issued or outstanding on or prior to the date of this Agreement or issued pursuant to this Agreement (so long as the conversion or exercise price of such securities is not lowered to a price below \$.035 per share, and so long as the number of shares of Common Stock underlying such securities is not otherwise increased), (iii) securities issued in connection with bona fide strategic license agreements or other partnering arrangements (whether or not existing as of the date hereof) with a third party (whether or not affiliated with the Company as of the date hereof) so long as such issuances are not for the sole purpose of raising capital, (iv) Common Stock issued or the issuance or grants of options to purchase Common Stock pursuant to the Company’s stock option plans and employee stock purchase plans or non-employee directors stock option or purchase plans, in each case approved by the Company’s Board of Directors; provided that, the aggregate amount of Common Stock and Common Stock underlying options issued pursuant to such plans shall not exceed ten percent (10%) of the total amount of Common Stock then issued and outstanding, (v) any warrants issued to the placement agent and its designees for the transactions contemplated by the Purchase Agreement, (vi) securities issued for services provided to the Company by public or investor relations firms and approved by the Company’s Board of Directors (vii) securities issued pursuant to the Additional Note and Warrant Financing and securities issuable upon the conversion or exercise of such securities issued pursuant to the Additional Note and Warrant Financing and (viii) the Designee Warrants (as defined in Section 3.21 of the Prior Purchase Agreement dated July 31, 2007).

Section 3.21 [Intentionally Omitted].

Section 3.22 Additional Affirmative Covenants. The Company hereby covenants and agrees, so long as any Note remains outstanding, as follows:

(a) Maintenance of Corporate Existence. The Company shall and shall cause its subsidiaries to, maintain in full force and effect its corporate existence, rights and franchises and all material terms of licenses and other rights to use licenses, trademarks, trade names, service marks, copyrights, patents or processes owned or possessed by it and necessary to the conduct of its business.

(b) Maintenance of Office. The Company will maintain its principal office at the address of the Company set forth in Section 7.4 of this Agreement where notices, presentments and demands in respect of this Agreement and any of the Securities may be made upon the Company, until such time as the Company shall notify the holders of the Securities in writing, at least thirty (30) days prior thereto, of any change of location of such office.

(c) Maintenance of Properties. The Company shall and shall cause its Subsidiaries to, keep each of its properties necessary to the conduct of its business in good repair, working order and condition, reasonable wear and tear excepted, and from time to time make all needful and proper repairs, renewals, replacements, additions and improvements thereto; and the Company shall and shall its Subsidiaries to at all

times comply with each material provision of all leases to which it is a party or under which it occupies property.

(d) Payment of Taxes. The Company shall and shall cause its Subsidiaries to, promptly pay and discharge, or cause to be paid and discharged when due and payable, all lawful taxes, assessments and governmental charges or levies imposed upon the income, profits, assets, property or business of the Company and its Subsidiaries; provided, however, that any such tax, assessment, charge or levy need not be paid if the validity thereof shall be contested timely and in good faith by appropriate proceedings, if the Company or its Subsidiaries shall have set aside on its books adequate reserves with respect thereto, and the failure to pay shall not be prejudicial in any material respect to the holders of the Securities, and provided, further, that the Company or its Subsidiaries will pay or cause to be paid any such tax, assessment, charge or levy forthwith upon the commencement of proceedings to foreclose any lien which may have attached as security therefor.

(e) Payment of Indebtedness. The Company shall and shall cause its Subsidiaries to pay or cause to be paid all Indebtedness incident to the operations of the Company or its Subsidiaries (including, without limitation, claims or demands of workmen, materialmen, vendors, suppliers, mechanics, carriers, warehousemen and landlords) which, if unpaid might become a lien (except for Permitted Liens (defined below)) upon the assets or property of the Company or its Subsidiaries.

(f) [Intentionally Omitted]

(g) Maintenance of Insurance. The Company shall and shall cause its Subsidiaries to, keep its assets which are of an insurable character insured by financially sound and reputable insurers against loss or damage by theft, fire, explosion and other risks customarily insured against by companies in the line of business of the Company or its Subsidiaries, in amounts sufficient to prevent the Company and its Subsidiaries from becoming a co-insurer of the property insured; and the Company shall and shall cause its Subsidiaries to maintain, with financially sound and reputable insurers, insurance against other hazards and risks and liability to persons and property to the extent and in the manner customary for companies in similar businesses similarly situated or as may be required by law, including, without limitation, general liability, fire and business interruption insurance, and product liability insurance as may be required pursuant to any license agreement to which the Company or its Subsidiaries is a party or by which it is bound.

(h) Notice of Adverse Change. The Company shall promptly give notice to all holders of any Securities (but in any event within seven (7) days) after becoming aware of the existence of any condition or event which constitutes, or the occurrence of, any of the following:

(i) any Event of Default (as hereinafter defined);

(ii) any other event of noncompliance by the Company or its Subsidiaries under this Agreement;

(iii) the institution or threatening of institution of an action, suit or proceeding against the Company or any Subsidiaries before any court, administrative agency or arbitrator, including, without limitation, any action of a foreign government or instrumentality, which, if adversely decided, could materially adversely affect the business, prospects, properties, financial condition or results of operations of the Company and its Subsidiaries, taken as a whole whether or not arising in the ordinary course of business; or

(iv) any information relating to the Company or any subsidiary which could reasonably be expected to materially and adversely affect (A) the assets, property, business or condition (financial or otherwise) of the Company, to the extent that applicable provisions of the Exchange Act, Securities

Act or rules or regulations of a Trading Market would require disclosure of such information, or (B) its ability to perform the terms of this Agreement.

Any notice given under this Section 3.22(h) shall specify the nature and period of existence of the condition, event, information, development or circumstance, the anticipated effect thereof and what actions the Company has taken and/or proposes to take with respect thereto.

(i) Compliance With Agreements. The Company shall and shall cause its Subsidiaries to comply in all material respects, with the terms and conditions of all material agreements, commitments or instruments to which the Company or any of its Subsidiaries is a party or by which it or they may be bound.

(j) Protection of Licenses, etc. The Company shall, and shall cause its Subsidiaries to, maintain, defend and protect to the best of their ability licenses and sublicenses (and to the extent the Company or a Subsidiaries is a licensee or sublicensee under any license or sublicense, as permitted by the license or sublicense agreement), trademarks, trade names, service marks, patents and applications therefor and other proprietary information owned or used by it or them and shall keep duplicate copies of any licenses, trademarks, service marks or patents owned or used by it, if any, at a secure place selected by the Company.

(k) Further Assurances. From time to time the Company shall execute and deliver to the Purchaser and the Purchaser shall execute and deliver to the Company such other instruments, certificates, agreements and documents and take such other action and do all other things as may be reasonably requested by the other party in order to implement or effectuate the terms and provisions of this Agreement and any of the Securities.

Section 3.23 Additional Negative Covenants. The Company hereby covenants and agrees, so long as any Note remains outstanding, it will not (and not allow any of its Subsidiaries to), directly or indirectly, without the prior written consent of the Majority Holders, as follows:

(a) Reclassification. Effect any reclassification of the Common Stock.

(b) Liens. Except as otherwise provided in this Agreement, create, incur, assume or permit to exist any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of the Company or any subsidiary under any conditional sale or other title retention agreement or any capital lease, upon or with respect to any property or asset of the Company or any Subsidiary (each a "Lien" and collectively, "Liens"), except that the foregoing restrictions shall not apply to:

(i) liens for taxes, assessments and other governmental charges, if payment thereof shall not at the time be required to be made, and provided such reserve as shall be required by generally accepted accounting principles consistently applied shall have been made therefor;

(ii) liens of workmen, materialmen, vendors, suppliers, mechanics, carriers, warehouseman and landlords or other like liens, incurred in the ordinary course of business for sums not then due or being contested in good faith, if an adverse decision in which contest would not materially affect the business of the Company;

(iii) liens securing indebtedness of the Company or any subsidiaries which is in an aggregate principal amount not exceeding \$500,000 and which liens are subordinate to liens on the same assets held by the Purchaser, provided that, the foregoing amount may be increased to \$1,000,000 in the event that the Company does not by December 15, 2008, issue convertible notes and warrants (including the Notes and Amended Vicis Warrants) for an aggregate purchase price of \$17,500,000;

(iv) statutory liens of landlords, statutory liens of banks and rights of set-off, and other liens imposed by law, in each case incurred in the ordinary course of business (i) for amounts not yet overdue or (ii) for amounts that are overdue and that are being contested in good faith by appropriate proceedings, so long as such reserves or other appropriate provisions, if any, as shall be required by generally accepted accounting principles shall have been made for any such contested amounts;

(v) liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, trade contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(vi) any attachment or judgment lien not constituting an Event of Default;

(vii) easements, rights-of-way, restrictions, encroachments, and other minor defects or irregularities in title, in each case which do not and will not interfere in any material respect with the ordinary conduct of the business of the Company or any of its subsidiaries;

(viii) any (i) interest or title of a lessor or sublessor under any lease, (ii) restriction or encumbrance that the interest or title of such lessor or sublessor may be subject to, or (iii) subordination of the interest of the lessee or sublessee under such lease to any restriction or encumbrance referred to in the preceding clause (ii), so long as the holder of such restriction or encumbrance agrees to recognize the rights of such lessee or sublessee under such lease;

(ix) liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(x) any zoning or similar law or right reserved to or vested in any governmental office or agency to control or regulate the use of any real property;

(xi) liens securing obligations (other than obligations representing debt for borrowed money) under operating, reciprocal easement or similar agreements entered into in the ordinary course of business of the Company and its subsidiaries; and

(xii) the replacement, extension or renewal of any lien permitted by this Section 3.23(b) upon or in the same property theretofore subject or the replacement, extension or renewal (without increase in the amount or change in any direct or contingent obligor) of the indebtedness secured thereby.

All of the Foregoing Liens described in subsections (i) – (xii) above shall be referred to as “Permitted Liens”.

(c) Indebtedness. Create, incur, assume, suffer, permit to exist, or guarantee, directly or indirectly, any Indebtedness, excluding, however, from the operation of this covenant:

(i) any Indebtedness or the incurring, creating or assumption of any Indebtedness secured by liens permitted by the provisions of Section 3.23(b) above;

(ii) the endorsement of instruments for the purpose of deposit or collection in the ordinary course of business;

(iii) Indebtedness which may, from time to time be incurred or guaranteed by the Company which in the aggregate principal amount does not exceed \$500,000 and is subordinate to the Notes, provided that, the foregoing amount may be increased to \$1,000,000 in the event that the Company does not by December 15, 2008, issue convertible notes and warrants (including the Notes and Amended Vicis Warrants) for an aggregate purchase price of \$17,500,000;

(iv) Indebtedness under the Notes or disclosed in the Commission Documents filed prior to the date hereof and otherwise existing on the date hereof;

(v) Indebtedness relating to contingent obligations of the Company and its Subsidiaries under guaranties in the ordinary course of business of the obligations of suppliers, customers, and licensees of the Company and its Subsidiaries;

(vi) Indebtedness relating to loans from the Company to its Subsidiaries;

(vii) Indebtedness relating to capital leases in an amount not to exceed \$500,000;

(viii) accounts or notes payable arising out of the purchase of merchandise or services in the ordinary course of business; or

(ix) Indebtedness (if any) expressly permitted by, and in accordance with, the terms and conditions of this Agreement.

(d) Liquidation or Sale. Sell, transfer, lease or otherwise dispose of 50% or more of its consolidated assets (as shown on the most recent financial statements of the Company or a Subsidiary, as the case may be) in any single transaction or series of related transactions (other than the sale of inventory in the ordinary course of business), or liquidate, dissolve, recapitalize or reorganize in any form of transaction, or acquire all or substantially all of the capital stock or assets of another business or entity to the extent not otherwise permitted by this Agreement.

(e) Change of Control Transaction. Enter into a Change in Control Transaction with out the consent of the Majority Holders. For purposes of this Agreement, "Change in Control Transaction" means, except with respect to acquisitions by the Company in the normal course of business, the occurrence of (i) an acquisition by an individual or legal entity or "group" (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of the Company, by contract or otherwise) of in excess of fifty percent (50%) of the voting securities of the Company (except that the acquisition of voting securities by the Purchaser shall not constitute a Change of Control Transaction for purposes hereof), (ii) the merger or consolidation of the Company or any subsidiary of the Company in one or a series of related transactions with or into another entity (except in connection with a merger involving the Company solely for the purpose, and with the sole effect, of reorganizing the Company under the laws of another jurisdiction; provided that the certificate of incorporation and bylaws (or similar charter or organizational documents) of the surviving entity are substantively identical to those of the Company and do not otherwise adversely impair the rights of the Purchaser), or (iii) the execution by the Company of an agreement to which the Company is a party or by which it is bound, providing for any of the events set forth above in (i) or (ii).

(f) Loans and Advances. Except for loans and advances outstanding as of the Closing Date and for travel and other business expenses advanced to employees in the ordinary course of business, directly or indirectly, make any advance or loan to, or guarantee any obligation of, any Person, except for intercompany loans or advances and those provided for in this Agreement.

(g) Transactions with Affiliates.

(i) Make any intercompany transfers of monies or other assets in any single transaction or series of transactions, except as otherwise permitted in this Agreement.

(ii) Engage in any transaction with any of the officers, directors, employees or affiliates of the Company or of its subsidiaries, except on terms no less favorable to the Company or the subsidiary as could be obtained in an arm's length transaction, except for employment agreements and other compensation arrangements with employees, service providers and directors made in the ordinary course of the Company's business.

(iii) Divert (or permit anyone to divert) any business or opportunity of the Company or subsidiary to any other corporate or business entity.

(h) Other Business. Enter into or engage, directly or indirectly, in any business other than the business currently conducted or proposed to be conducted as of the date of this Agreement by the Company or any Subsidiary.

(i) Investments. Make any investments in, or purchase any stock, option, warrant, or other security or evidence of Indebtedness of, any Person (exclusive of any subsidiary), other than obligations of the United States Government or certificates of deposit or other instruments maturing within one year from the date of purchase from financial institutions with capital in excess of \$50 million; provided that the Company may make investments not to exceed \$1,000,000 outside of the foregoing requirements; and further provided that, the Company may acquire or invest in entities that are engaged in businesses substantially related to the businesses operated by the Company at the Closing Date.

(j) Registration Statements. Without the consent of the Majority Holders, file any registration statement with the Commission until the earlier of: (i) 60 Trading Days following the date that a registration statement or registration statements registering all the Warrant Shares is declared effective by the Commission; and (ii) the date the Warrant Shares are saleable under Rule 144 under the Securities Act without regard to volume or manner of sale limitations; provided that this Section shall not prohibit the Company from filing a post effective amendment to registration statements that was declared effective prior to the date hereof or to a registration statement filed with the Commission on Forms S-4 or S-8.

For purposes of this Article III, the term "Subsidiary" shall be deemed to include any subsidiary of the Company acquired or formed after the date hereof.

## ARTICLE IV

### CONDITIONS

Section 4.1 Conditions Precedent to the Obligation of the Company to Close and to Sell the Securities. The obligation hereunder of the Company to close and issue and sell the Securities to the Purchaser at the Closing is subject to the satisfaction or waiver, at or before the Closing of the conditions set forth below. These conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion.

(a) Accuracy of the Purchaser's Representations and Warranties. The representations and warranties of the Purchaser shall be true and correct in all material respects (except for those representations and warranties that are qualified by materiality or Material Adverse Effect, which shall be true and correct in all respects) as of the date when made and as of the Closing Date as though made at that time, except for

representations and warranties that are expressly made as of a particular date, which shall be true and correct in all material respects (except for those representations and warranties that are qualified by materiality or Material Adverse Effect, which shall be true and correct in all respects) as of such date.

(b) Performance by the Purchaser. The Purchaser shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Purchaser at or prior to the Closing Date.

(c) No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Agreement.

(d) Delivery of Purchase Price; Surrender of Existing Vicis Securities. The Company shall have received from the Purchaser the Purchase Price, Vicis shall have surrendered for cancellation the Existing Vicis Warrants.

(e) Delivery of Transaction Documents. The Transaction Documents shall have been duly executed and delivered by the Purchaser to the Company.

Section 4.2 Conditions Precedent to the Obligation of the Purchaser to Close and to Purchase the Securities. The obligation hereunder of the Purchaser to purchase the Series F Warrant and consummate the transactions contemplated by this Agreement is subject to the satisfaction or waiver, at or before the Closing, of each of the conditions set forth below. These conditions are for the Purchaser's sole benefit and may be waived by the Purchaser at any time in its sole discretion.

(a) Accuracy of the Company's Representations and Warranties. Each of the representations and warranties of the Company in this Agreement and the other Transaction Documents shall be true and correct in all material respects (except for those representations and warranties that are qualified by materiality or Material Adverse Effect, which shall be true and correct in all respects) as of the date when made and as of the Closing Date as though made at that time, except for representations and warranties that are expressly made as of a particular date, which shall be true and correct in all material respects (except for those representations and warranties that are qualified by materiality or Material Adverse Effect, which shall be true and correct in all respects) as of such date.

(b) Performance by the Company. The Company shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the Closing Date.

(c) No Suspension, Etc. Trading in the Common Stock shall not have been suspended by the Commission or the OTC Bulletin Board (except for any suspension of trading of limited duration agreed to by the Company, which suspension shall be terminated prior to the Closing), and, at any time prior to the Closing Date, trading in securities generally as reported by Bloomberg Financial Markets ("Bloomberg") shall not have been suspended or limited, or minimum prices shall not have been established on securities whose trades are reported by Bloomberg, or on the New York Stock Exchange, nor shall a banking moratorium have been declared either by the United States or New York State authorities, nor shall there have occurred any material outbreak or escalation of hostilities or other national or international calamity or crisis of such magnitude in its effect on, or any material adverse change in any financial market which, in each case, in the judgment of the Purchaser, makes it impracticable or inadvisable to purchase the Securities.

(d) No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Agreement.

(e) No Proceedings or Litigation. No action, suit or proceeding before any arbitrator or any governmental authority shall have been commenced, and no investigation by any governmental authority shall have been threatened, against the Company or any Subsidiary, or any of the officers, directors or affiliates of the Company or any Subsidiary seeking to restrain, prevent or change the transactions contemplated by this Agreement, or seeking damages in connection with such transactions.

(f) Opinion of Counsel. The Purchaser shall have received an opinion of counsel to the Company, dated the date of the Closing, substantially in the form of Exhibit E hereto, with such exceptions and limitations as shall be reasonably acceptable to counsel to the Purchaser.

(g) Warrant. At or prior to the Closing Date, the Company shall have delivered to the Purchaser the Series F Warrant.

(h) Secretary's Certificate. The Company shall have delivered to the Purchaser a secretary's certificate, dated as of the Closing Date, as to (i) the resolutions adopted by the Board of Directors approving the transactions contemplated hereby, (ii) the Certificate, (iii) the Bylaws, each as in effect at the Closing, and (iv) the authority and incumbency of the officers of the Company executing the Transaction Documents and any other documents required to be executed or delivered in connection therewith.

(i) Officer's Certificate. On the Closing Date, the Company shall have delivered to the Purchaser a certificate signed by an executive officer on behalf of the Company, dated as of the Closing Date, confirming the accuracy of the Company's representations, warranties and covenants as of the Closing Date and confirming the compliance by the Company with the conditions precedent set forth in paragraphs (b)-(e) and (l) of this Section 4.2 as of the Closing Date (provided that, with respect to the matters in paragraphs (d) and (e) of this Section 4.2, such confirmation shall be based on the knowledge of the executive officer after due inquiry).

(j) Transfer Agent Instructions. The Irrevocable Transfer Agent Instructions, in the form of Exhibit D attached hereto, shall have been delivered to the Company's transfer agent.

(k) [Intentionally Omitted]

(l) Material Adverse Effect. No Material Adverse Effect shall have occurred at or before the Closing Date.

(m) Amended Documents. The Company shall have delivered to Vicis: (i) the Waiver in the form of Exhibit C attached hereto; and (ii) the Amended Vicis Warrants in the form of Exhibit B-1, Exhibit B-2, Exhibit B-3, Exhibit B-4 and Exhibit B-5 attached hereto.

## ARTICLE V

### CERTIFICATE LEGEND

Section 5.1 Legend. The certificate representing the Series F Warrant shall be stamped or otherwise imprinted with a legend substantially in the following form (in addition to any legend required by applicable state securities or “blue sky” laws):

THE SECURITIES REPRESENTED BY THIS CERTIFICATE (THE “SECURITIES”) HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES LAWS OR AMBIENT CORPORATION SHALL HAVE RECEIVED AN OPINION OF COUNSEL THAT REGISTRATION OF SUCH SECURITIES UNDER THE SECURITIES ACT AND UNDER THE PROVISIONS OF APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED.

The Company shall issue irrevocable instructions to its transfer agent, and any subsequent transfer agent, to issue certificates, registered in the name of the Purchaser or its respective nominee(s), for the Warrant Shares in such amounts as specified from time to time by the Purchaser to the Company upon exercise of the Series F Warrant in the form of Exhibit D attached hereto (the “Irrevocable Transfer Agent Instructions”). Prior to registration of the Warrant Shares under the Securities Act, all such certificates shall bear the restrictive legend specified in this Section 5.1. Certificates evidencing the Warrant Shares shall not contain any legend (including the legend set forth in Section 5.1 hereof), (i) while a registration statement (including the Registration Statement) covering the resale of such security is effective under the Securities Act, or (ii) following any sale of Warrant Shares pursuant to Rule 144, or (iii) if such Warrant Shares are eligible for sale under Rule 144 without regard to volume or manner of sale limitations, or (iv) if such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the Staff of the Commission). The Company shall cause its counsel to issue a legal opinion to the Company’s transfer agent promptly after the effective date of a registration statement covering such Warrant Shares, if required by the Company’s transfer agent, to effect the removal of the legend hereunder. If all or any portion of the Series F Warrant is exercised at a time when there is an effective registration statement to cover the resale of the Warrant Shares, such Warrant Shares shall be issued free of all legends. The Company agrees that following the effective date of the registration statement covering Warrant Shares or at such time as such legend is no longer required under this Section 5.1, it will, no later than three (3) Trading Days following the delivery by a Purchaser to the Company or the Company’s transfer agent of a certificate representing Warrant Shares issued with a restrictive legend (such date, the “Delivery Date”), deliver or cause to be delivered to the Purchaser a certificate representing such Warrant Shares that is free from all restrictive and other legends. The Company may not make any notation on its records or give instructions to any transfer agent of the Company that enlarge the restrictions on transfer set forth in this Section. Whenever a certificate representing the Warrant Shares is required to be issued to a Purchaser without a legend, in lieu of delivering physical certificates representing the Warrant Shares, provided the Company’s transfer agent is participating in the Depository Trust Company (“DTC”) Fast Automated Securities Transfer program, the Company shall use its reasonable best efforts to cause its transfer agent to electronically transmit the Warrant Shares to a Purchaser by crediting the account of the Purchaser’s Prime Broker with DTC through its Deposit Withdrawal Agent Commission (“DWAC”) system (to the extent not inconsistent with any provisions of this Agreement).

Section 5.2 Liquidated Damages. The Company understands that a delay in the delivery of unlegended certificates for the Warrant Shares as set forth in Section 5.1 hereof beyond the Delivery Date could

result in economic loss to the Purchaser. If the Company fails to deliver to the Purchaser such shares via DWAC or a certificate or certificates pursuant to this Section hereunder by the second Trading Day following the Delivery Date, the Company shall pay to the Purchaser, in cash, \$10,000 per Trading Day for each Trading Day after the Delivery Date until such certificate is delivered (which amount shall be paid as liquidated damages and not as a penalty). Nothing herein shall limit the Purchaser's right to pursue actual damages for the Company's failure to deliver certificates representing any Securities as required by the Transaction Documents, and the Purchaser shall have the right to pursue all remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief.

Section 5.3 Sales by Purchaser. The Purchaser agrees that the removal of the restrictive legend from certificates representing Securities as set forth in Section 5.1 is predicated upon the Company's reliance that the Purchaser will sell any securities pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom.

## ARTICLE VI

### INDEMNIFICATION

Section 6.1 Company Indemnity. The Company agrees to indemnify and hold harmless the Purchaser (and its respective directors, officers, affiliates, agents, successors and assigns) from and against any and all losses, liabilities, deficiencies, costs, damages and expenses (including, without limitation, reasonable attorneys' fees, charges and disbursements) incurred by the Purchaser as a result of (a) any inaccuracy in or breach of the representations, warranties or covenants made by the Company herein as such are incurred, except to the extent that such amounts result from the Purchaser's failure to perform any covenant or agreement contained in this Agreement or the Purchaser's illegal or willful misconduct, gross negligence, misrepresentations, recklessness or bad faith (in each case, as determined by a non-appealable judgment to such effect or a judgment not appealed in the requisite time period) in performing its obligations under this Agreement or (b) any action instituted against the Purchaser, or any of its respective Affiliates, by any stockholder of the Company who is not an Affiliate of the Purchaser, with respect to any of the transactions contemplated by the Transaction Documents (unless such action is based upon a breach of the Purchaser's representations, warranties or covenants under the Transaction Documents or any agreements or understandings the Purchaser may have with any such stockholder or any violations by the Purchaser of state or federal securities laws or any conduct by the Purchaser which constitutes fraud, gross negligence, willful misconduct or malfeasance).

Section 6.2 Indemnification Procedure. Any party entitled to indemnification under this Article VI (an "indemnified party") will give written notice to the indemnifying party of any matter giving rise to a claim for indemnification; provided, that the failure of any party entitled to indemnification hereunder to give notice as provided herein shall not relieve the indemnifying party of its obligations under this Article VI except to the extent that the indemnifying party is actually prejudiced by such failure to give notice. In case any such action, proceeding or claim is brought against an indemnified party in respect of which indemnification is sought hereunder, the indemnifying party shall be entitled to participate in and, unless in the reasonable judgment of the indemnifying party a conflict of interest between it and the indemnified party exists with respect to such action, proceeding or claim (in which case the indemnifying party shall be responsible for the reasonable fees and expenses of one separate counsel for the indemnified parties), to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. In the event that the indemnifying party advises an indemnified party that it will contest such a claim for indemnification hereunder, or fails, within thirty (30) days of receipt of any indemnification notice to notify, in writing, such person of its election to defend, settle or compromise, at its sole cost and expense, any action, proceeding or claim (or discontinues its defense at any time after it commences such defense), then the indemnified party may, at its option, defend, settle or otherwise

compromise or pay such action or claim. In any event, unless and until the indemnifying party elects in writing to assume and does so assume the defense of any such claim, proceeding or action, the indemnified party's costs and expenses arising out of the defense, settlement or compromise of any such action, claim or proceeding shall be losses subject to indemnification hereunder. The indemnified party shall cooperate fully with the indemnifying party in connection with any negotiation or defense of any such action or claim by the indemnifying party and shall furnish to the indemnifying party all information reasonably available to the indemnified party which relates to such action or claim. The indemnifying party shall keep the indemnified party fully apprised at all times as to the status of the defense or any settlement negotiations with respect thereto. If the indemnifying party elects to defend any such action or claim, then the indemnified party shall be entitled to participate in such defense (but not control) with counsel of its choice at its sole cost and expense. The indemnifying party shall not be liable for any settlement of any action, claim or proceeding effected without its prior written consent. Notwithstanding anything in this Article VI to the contrary, the indemnifying party shall not, without the indemnified party's prior written consent, settle or compromise any claim or consent to entry of any judgment in respect thereof which imposes any future obligation on the indemnified party or which does not include, as an unconditional term thereof, the giving by the claimant or the plaintiff to the indemnified party of a release from all liability in respect of such claim. The indemnification obligations to defend the indemnified party required by this Article VI shall be made by periodic payments of the amount thereof during the course of investigation or defense, as and when bills are received or expense, loss, damage or liability is incurred, so long as the indemnified party shall refund such moneys if it is ultimately determined by a court of competent jurisdiction that such party was not entitled to indemnification. The indemnity agreements contained herein shall be in addition to (a) any cause of action or similar rights of the indemnified party against the indemnifying party or others, and (b) any liabilities the indemnifying party may be subject to pursuant to the law. No indemnifying party will be liable to the indemnified party under this Agreement to the extent, but only to the extent that a loss, claim, damage or liability is attributable to the indemnified party's breach of any of the representations, warranties or covenants made by such party in this Agreement or in the other Transaction Documents.

## **ARTICLE VII**

### **MISCELLANEOUS**

Section 7.1 Fees and Expenses. The Company shall bear its own expenses and legal fees incurred on its behalf with respect to the negotiation, execution and consummation of the transactions contemplated by this Agreement. The Company shall pay all reasonable fees and expenses incurred by the Purchaser in connection with the enforcement of this Agreement or any of the other Transaction Documents, including, without limitation, all reasonable attorneys' fees and expenses.

Section 7.2 Specific Performance; Consent to Jurisdiction; Venue.

(a) The Company and the Purchaser acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement or the other Transaction Documents were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of this Agreement or the other Transaction Documents and to enforce specifically the terms and provisions hereof or thereof, this being in addition to any other remedy to which any of them may be entitled by law or equity.

(b) The parties agree that venue for any dispute arising under this Agreement will lie exclusively in the state or federal courts located in New York County, New York, and the parties irrevocably waive any right to raise *forum non conveniens* or any other argument that New York is not the proper venue. The parties irrevocably consent to personal jurisdiction in the state and federal courts of the state of New York. The Company and the Purchaser consent to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing in this Section 7.2 shall affect or limit any right to serve process in any other manner permitted by law. The Company agrees to pay all costs and expenses of enforcement of the Transaction Documents, including, without limitation, reasonable attorneys' fees and expenses. The parties hereby waive all rights to a trial by jury.

Section 7.3 Entire Agreement; Amendment. This Agreement and the Transaction Documents contain the entire understanding and agreement of the parties with respect to the matters covered hereby and, except as specifically set forth herein or in the other Transaction Documents, neither the Company nor the Purchaser make any representation, warranty, covenant or undertaking with respect to such matters, and they supersede all prior understandings and agreements with respect to said subject matter, all of which are merged herein. No provision of this Agreement may be waived or amended other than by a written instrument signed by the Company and the Purchaser. Any amendment or waiver effected in accordance with this Section 7.3 shall be binding upon the Purchaser (and their permitted assigns) and the Company.

Section 7.4 Notices. Any notice, demand, request, waiver or other communication required or permitted to be given hereunder shall be in writing and shall be effective (a) upon hand delivery by telecopy or facsimile at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the third business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Company:                   Ambient Corporation  
79 Chapel Street  
Newton, Massachusetts 02458  
Attention: Chief Executive Officer  
Tel. No.: (617) 332-0004  
Fax No.: (617) 663-6191

with copies (which copies shall not constitute notice to the Company) to:               Aboudi & Brounstein Law Offices  
3 Gavish Street  
Kfar Saba Ind. Zone 44641 Israel  
Attention: Mr. David Aboudi  
Tel No.: +972-9-764-4833  
Fax No.: +972-9-764-4834

If to the Purchaser: Vicis Capital Master Fund  
Tower 56, Suite 700  
126 E. 56th Street, 7th Floor  
New York, NY 10022  
Phone: (212) 909-4600  
Fax: (212) 909-4601  
Attn: Shad Stastney

with a copy to:

Andrew D. Ketter, Esq.  
Quarles & Brady LLP  
411 East Wisconsin Avenue  
Milwaukee, WI 53202  
Phone: (414) 277-5629  
Fax: (414) 978-8972

Any party hereto may from time to time change its address for notices by giving written notice of such changed address to the other party hereto pursuant to the provisions of this Section 7.4.

Section 7.5 Waivers. No waiver by either party of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right accruing to it thereafter.

Section 7.6 Headings. The article, section and subsection headings in this Agreement are for convenience only and shall not constitute a part of this Agreement for any other purpose and shall not be deemed to limit or affect any of the provisions hereof.

Section 7.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns. After the Closing, the assignment by a party to this Agreement of any rights hereunder shall not affect the obligations of such party under this Agreement. Subject to Section 5.1 hereof, the Purchaser may assign the Series F Warrant, Warrant Shares and its rights under this Agreement and the other Transaction Documents and any other rights hereto and thereto without the consent of the Company.

Section 7.8 No Third Party Beneficiaries. Except as contemplated by Article VI hereof, this Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

Section 7.9 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York, without giving effect to any of the conflicts of law principles which would result in the application of the substantive law of another jurisdiction. This Agreement shall not be interpreted or construed with any presumption against the party causing this Agreement to be drafted.

Section 7.10 Survival. The representations and warranties of the Company and the Purchaser shall survive the execution and delivery hereof and the Closing hereunder.

Section 7.11 Counterparts. This Agreement may be executed in any number of counterparts (including those delivered by facsimile or other electronic means), all of which taken together shall constitute one and the same instrument and shall become effective when counterparts have been signed by each party and delivered to the other parties hereto, it being understood that all parties need not sign the same counterpart.

Section 7.12 [Intentionally Omitted]

Section 7.13 Severability. The provisions of this Agreement are severable and, in the event that any court of competent jurisdiction shall determine that any one or more of the provisions or part of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision or part of a provision of this Agreement and this Agreement shall be reformed and construed as if such invalid or illegal or unenforceable provision, or part of such provision, had never been contained herein, so that such provisions would be valid, legal and enforceable to the maximum extent possible.

Section 7.14 Further Assurances. From and after the date of this Agreement, upon the request of the Purchaser or the Company, the Company and the Purchaser shall execute and deliver such instruments, documents and other writings as may be reasonably necessary or desirable to confirm and carry out and to effectuate fully the intent and purposes of this Agreement and the other Transaction Documents.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed by their respective authorized officers as of the date first above written.

**AMBIENT CORPORATION**

By: /s/ John J. Joyce

Name: John J. Joyce

Title: President

**PURCHASER:**

VICIS CAPITAL MASTER FUND,  
a sub-trust of Vicis Capital Series Master Trust

By: Vicis Capital LLC

By: /s/ Keith W. Hughes

Name: Keith W. Hughes

Title: Chief Financial Officer

**EXHIBIT A**  
**FORM OF SERIES F WARRANT**

**EXHIBIT B-1**  
**FORM OF AMENDED SERIES A WARRANT**

**EXHIBIT B-2**  
**FORM OF AMENDED SERIES B WARRANT**

**EXHIBIT B-3**  
**FORM OF AMENDED SERIES C WARRANT**

**EXHIBIT B-4**  
**FORM OF AMENDED SERIES D WARRANT**

**EXHIBIT B-5**  
**FORM OF AMENDED SERIES E WARRANT**

**EXHIBIT C**  
**FORM OF AMENDMENT AND WAIVER**

**EXHIBIT D**  
**FORM OF IRREVOCABLE TRANSFER AGENT INSTRUCTIONS**  
**AMBIENT CORPORATION**

as of April \_\_, 2008

[Name and address of Transfer Agent]  
Attn: \_\_\_\_\_

**Ladies and Gentlemen:**

Reference is made to that certain Securities Purchase Agreement (the "**Purchase Agreement**"), dated as of April \_\_, 2008, by and among Ambient Corporation, a Delaware corporation (the "**Company**"), and the Purchaser named therein (the "**Purchaser**") pursuant to which the Company is issuing to the Purchaser a warrant (the "**Warrant**") to purchase shares of the Company's common stock, par value \$0.001 per share (the "**Common Stock**"). This letter shall serve as our irrevocable authorization and direction to you (provided that you are the transfer agent of the Company at such time) to issue shares of Common Stock upon exercise of the Warrant (the "**Warrant Shares**") to or upon the order of the Purchaser from time to time upon (i) surrender to you of a properly completed and duly executed Exercise Notice, as the case may be, in the form attached hereto as Exhibit I (ii) a copy of the Warrant (with the original Warrant delivered to the Company) being exercised (or, in each case, an indemnification undertaking with respect to such Warrant in the case of loss, theft or destruction), and (iii) delivery of a treasury order or other appropriate order duly executed by a duly authorized officer of the Company. So long as you have previously received written confirmation from counsel to the Company that a registration statement covering resales of Warrant Shares, as applicable, has been declared effective by the Securities and Exchange Commission (the "**SEC**") under the Securities Act of 1933, as amended (the "**1933 Act**"), and no subsequent notice by the Company or its counsel of the suspension or termination of its effectiveness, then certificates representing the Warrant Shares, as the case may be, shall not bear any legend restricting transfer of the Warrant Shares, as the case may be, thereby and should not be subject to any stop-transfer restriction. Provided, however, that if you have not previously received written confirmation from counsel to the Company that a registration statement covering resales of the Warrant Shares, as applicable, has been declared effective by the SEC under the 1933 Act, then the certificates for the Warrant Shares shall bear the following legend:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER THE SECURITIES ACT OR APPLICABLE STATE SECURITIES LAWS, OR AMBIENT CORPORATION SHALL HAVE RECEIVED AN OPINION OF ITS COUNSEL THAT REGISTRATION OF SUCH SECURITIES UNDER THE SECURITIES ACT AND UNDER THE PROVISIONS OF APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED."

A form of written confirmation from counsel to the Company that a registration statement covering resales of the Warrant Shares has been declared effective by the SEC under the 1933 Act is attached hereto as Exhibit II.

Please execute this letter in the space indicated to acknowledge your agreement to act in accordance with these instructions. Should you have any questions concerning this matter, please contact me at \_\_\_\_\_.

Very truly yours,

**AMBIENT CORPORATION**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ACKNOWLEDGED AND AGREED:

**[TRANSFER AGENT]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT I**

**FORM OF EXERCISE NOTICE**

**EXERCISE FORM**

**AMBIENT CORPORATION**

The undersigned \_\_\_\_\_, pursuant to the provisions of the within Warrant, hereby elects to purchase \_\_\_\_\_ shares of Common Stock of Ambient Corporation covered by the within Warrant.

Dated: \_\_\_\_\_ Signature \_\_\_\_\_

Address \_\_\_\_\_  
\_\_\_\_\_

Number of shares of Common Stock beneficially owned or deemed beneficially owned by the Holder on the date of Exercise: \_\_\_\_\_

The undersigned is an “accredited investor” as defined in Regulation D under the Securities Act of 1933, as amended.

The undersigned intends that payment of the Warrant Price shall be made as (check one):

Cash Exercise \_\_\_\_\_

Cashless Exercise \_\_\_\_\_

If the Holder has elected a Cash Exercise, the Holder shall pay the sum of \$\_\_\_\_\_ by certified or official bank check (or via wire transfer) to the Issuer in accordance with the terms of the Warrant.

If the Holder has elected a Cashless Exercise, a certificate shall be issued to the Holder for the number of shares equal to the whole number portion of the product of the calculation set forth below, which is \_\_\_\_\_. Ambient Corporation shall pay a cash adjustment in respect of the fractional portion of the product of the calculation set forth below in an amount equal to the product of the fractional portion of such product and the Per Share Market Value on the date of exercise, which product is \_\_\_\_\_.

$$X = Y - \frac{(A)(Y)}{B}$$

Where:

The number of shares of Common Stock to be issued to the Holder \_\_\_\_\_ (“X”).

The number of shares of Common Stock purchasable upon exercise of all of the Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being exercised \_\_\_\_\_ (“Y”).

The Warrant Price \_\_\_\_\_ (“A”).

The Per Share Market Value of one share of Common Stock \_\_\_\_\_ (“B”).

ASSIGNMENT

FOR VALUE RECEIVED, \_\_\_\_\_ hereby sells, assigns and transfers unto \_\_\_\_\_ the within Warrant and all rights evidenced thereby and does irrevocably constitute and appoint \_\_\_\_\_, attorney, to transfer the said Warrant on the books of the within named corporation.

Dated: \_\_\_\_\_ Signature \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

PARTIAL ASSIGNMENT

FOR VALUE RECEIVED, \_\_\_\_\_ hereby sells, assigns and transfers unto \_\_\_\_\_ the right to purchase \_\_\_\_\_ Warrant Shares evidenced by the within Warrant together with all rights therein, and does irrevocably constitute and appoint \_\_\_\_\_, attorney, to transfer that part of the said Warrant on the books of the within named corporation.

Dated: \_\_\_\_\_ Signature \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

FOR USE BY THE ISSUER ONLY:

This Warrant No. W-\_\_\_ canceled (or transferred or exchanged) this \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, shares of Common Stock issued therefor in the name of \_\_\_\_\_, Warrant No. W-\_\_\_ issued for \_\_\_ shares of Common Stock in the name of \_\_\_\_\_.

**EXHIBIT II**

**FORM OF NOTICE OF EFFECTIVENESS  
OF REGISTRATION STATEMENT**

[Name and address of Transfer Agent]

Attn: \_\_\_\_\_

Re: **Ambient Corporation**

Ladies and Gentlemen:

We are special counsel to Ambient Corporation, a Delaware corporation (the “**Company**”), and have represented the Company in connection with that certain Securities Purchase Agreement (the “**Purchase Agreement**”), dated as of April \_\_, 2008, by and among the Company and the Purchaser named therein (the “**Purchaser**”) pursuant to which the Company issued to the Purchaser a warrant (the “**Warrant**”) to purchase shares of the Company’s common stock, par value \$0.001 per share (the “**Common Stock**”). Pursuant to the Purchase Agreement, the Company has also entered into a Registration Rights Agreement with the Purchaser (the “**Registration Rights Agreement**”), dated as of July 31, 2007, pursuant to which the Company agreed, among other things, to register the Registrable Securities (as defined in the Registration Rights Agreement), including the shares of Common Stock issuable upon exercise of the Warrants, under the Securities Act of 1933, as amended (the “**1933 Act**”). In connection with the Company’s obligations under the Registration Rights Agreement, on \_\_\_\_\_, 2008, the Company filed a Registration Statement on Form S-1 (File No. 333-\_\_\_\_\_) (the “**Registration Statement**”) with the Securities and Exchange Commission (the “**SEC**”) relating to the resale of the Registrable Securities which names each of the present Purchaser as a selling stockholder thereunder.

In connection with the foregoing, we advise you that a member of the SEC’s staff has advised us by telephone that the SEC has entered an order declaring the Registration Statement effective under the 1933 Act at [**ENTER TIME OF EFFECTIVENESS**] on [**ENTER DATE OF EFFECTIVENESS**] and we have no knowledge, after telephonic inquiry of a member of the SEC’s staff, that any stop order suspending its effectiveness has been issued or that any proceedings for that purpose are pending before, or threatened by, the SEC and accordingly, the Registrable Securities are available for resale under the 1933 Act pursuant to the Registration Statement.

Very truly yours,

[**COMPANY COUNSEL**]

By: \_\_\_\_\_

cc: [**LIST NAMES OF PURCHASER**]

**EXHIBIT E**  
**FORM OF OPINION**

## AMENDMENT AND WAIVER

This AMENDMENT AND WAIVER (this “Amendment and Waiver”) is dated as of April 23, 2008, by and between Ambient Corporation, a Delaware corporation (the “Company”) and Vicis Capital Master Fund (“Vicis”), a series of the Vicis Capital Master Trust, a trust formed under the laws of the Cayman Islands.

RECITALS:

WHEREAS, pursuant to a Securities Purchase Agreement dated July 31, 2007 by and between the Company and Vicis (the “July SPA”), as amended by that certain First Amendment to the Securities Purchase Agreement, dated November 1, 2007 by and between the Company and Vicis (the “First July SPA Amendment”), as further amended by that certain Second Amendment to the Securities Purchase Agreement, dated January 15, 2008 by and between the Company and Vicis (the “Second July SPA Amendment”), Vicis acquired a Secured Convertible Promissory Note in the aggregate principal amount of Seven Million Five Hundred Thousand Dollars (\$7,500,000) (the “July Note”), a Series A Warrant (the “A Warrant”) to purchase common stock of the Company, and a Series B Warrant to purchase common stock of the Company (the “B Warrant”).

WHEREAS, pursuant to a Securities Purchase Agreement dated November 1, 2007 by and between the Company and Vicis (the “November SPA”), as amended by that certain First Amendment to the Securities Purchase Agreement, dated January 15, 2008 by and between the Company and Vicis (the “First November SPA Amendment”), Vicis acquired a Secured Convertible Promissory Note in the aggregate principal amount of Two Million Five Hundred Thousand Dollars (\$2,500,000) (the “November Note”), a Series C Warrant (the “C Warrant”) to purchase common stock of the Company, and a Series D Warrant to purchase common stock of the Company (the “D Warrant”).

WHEREAS, pursuant to a Securities Purchase Agreement dated January 15, 2008 by and between the Company and Vicis (the “January SPA”, together with the July SPA and November SPA, each as amended, the “Purchase Agreements”), Vicis acquired a Secured Convertible Promissory Note in the aggregate principal amount of Two Million Five Hundred Thousand Dollars (\$2,500,000) (the “January Note”, together with the July and November Notes, the “Notes”) and a Series E Warrant (the “E Warrant”, together with the A, B, C and D Warrants, the “Warrants”) to purchase common stock of the Company.

WHEREAS, pursuant to that certain Registration Rights Agreement dated July 31, 2007, by and between the Company and Vicis (the “Rights Agreement”), as amended by that certain First Amendment to the Registration Rights Agreement, dated November 1, 2007 by and between the Company and Vicis (the “First Amendment”), as further amended by that certain Second Amendment to the Registration Rights Agreement, dated January 15, 2008 by and between the Company and Vicis (the “Second Amendment”), the Company agreed that it would on or before March 28, 2008 (the “Required Filing Date”), file a registration statement (the “Registration Statement”) with the United States Securities and Exchange Commission (the “SEC”) to register for resale by Vicis shares of the Company’s common stock underlying the Notes and Warrants held by Vicis.

WHEREAS, pursuant to that certain Amendment and Waiver dated March 28, 2008 by and between the Company and Vicis (the “Waiver”), the parties agreed that the Required Filing Date under the Rights Agreement, as amended, would be June 26, 2008, and that the Company will be in default under the Notes if the Registration Statement is not declared effective by the SEC on or before October 24, 2008 (“Event of Default”).

WHEREAS, the parties are on even date herewith entering into a Securities Purchase Agreement, whereby Vicis is acquiring from the Company a certain Series F Warrant (the “Warrant Financing”).

WHEREAS, in connection with the Warrant Financing, the parties desire to change the Required Filing Date under the Rights Agreement, as amended, to December 15, 2008, and Vicis wishes to waive such Event of Default in accordance with the Notes and the Purchase Agreements on the terms as hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual promises of the parties hereto and of the mutual benefits to be gained by the performance thereof, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledge, the parties hereto hereby agree as follows:

1. Amendment to Rights Agreement. The definition for the term “Filing Date” in the Registration Rights Agreement, as amended, is hereby deleted and replaced in its entirety as follows:

“Filing Date” means, subject to Section 2(b) hereof, December 15, 2008; provided that, if the Filing Date falls on a Saturday, Sunday or any other day which shall be a legal holiday or a day on which the Commission is authorized or required by law or other government actions to close, the Filing Date shall be the following Business Day.

2. Waiver of Default. Vicis hereby irrevocably waives the Event of Default with respect to each Note, provided that, the Registration Statement be declared effective by the SEC on or prior to April 14 2009, subject to the provisions of the Registration Rights Agreement, including, without limitation, Section 2(b) thereof.

3. Ratification. Except as expressly amended by this Amendment and Waiver, the terms and conditions of the Purchase Agreements, the Notes, the Warrants, and the Rights Agreement are hereby confirmed and shall remain in full force and effect without impairment or modification.

4. Conflict. In the event of any conflict between any of the Purchase Agreements, the Notes, the Warrants, and the Rights Agreement and this Amendment and Waiver, the terms of this Amendment and Waiver shall govern.

5. Governing Law. This Amendment and Waiver shall be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to applicable principles of conflicts of law that would require the application of the laws of any other jurisdiction.

6. Counterparts. This Amendment and Waiver may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed by their respective authorized representatives as of the day and year first above written.

**AMBIENT CORPORATION**

By: /s/ John J. Joyce

Name: John J. Joyce

Title: President

VICIS CAPITAL MASTER FUND,  
a sub-trust of Vicis Capital Series Master Trust  
By: Vicis Capital LLC

By: /s/ Keith W. Hughes

Name: Keith W. Hughes

Title: Chief Financial Officer

**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 June 30, 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. I am 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me 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 my 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 my 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. 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.

August 14, 2008

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

**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 June 30, 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: August 14, 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.