

**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: **SEPTEMBER 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 November 14, 2008, there were 254,615,704 shares of the issuer's common stock, par value \$0.001 per share, outstanding.

AMBIENT CORPORATION

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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.

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>September 30,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
	<u>(unaudited)</u>	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 855,365	\$ 546,125
Marketable securities	125,000	—
Accounts receivable	275,178	193,406
Inventory	271,230	474,063
Prepaid expenses and other current assets	791,954	141,181
Total current assets	2,318,727	1,354,775
Property and equipment, net	413,000	481,129
Deferred financing costs, net	984,760	898,214
Prepaid licensing fees	—	81,997
Total assets	<u>\$ 3,716,487</u>	<u>\$ 2,816,115</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 1,473,782	\$ 1,013,609
Accrued expenses and other current liabilities	906,640	595,420
Convertible debt, current portion	—	103,500
Total current liabilities	2,380,422	1,712,529
NON-CURRENT LIABILITIES		
Convertible debt, less current portion (net of discount of \$10,233,798 and \$7,431,592)	2,276,202	2,568,408
Total liabilities	4,656,624	4,280,937
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, \$.001 par value; 2,000,000,000 and 1,250,000,000 shares authorized; 255,615,704 issued; 254,615,704 outstanding	255,615	255,615
Additional paid-in capital	120,634,386	113,181,348
Deficit accumulated during the development stage	(121,630,138)	(114,701,785)
Less: treasury stock; 1,000,000 shares at cost	(200,000)	(200,000)
Total stockholders' equity (deficit)	(940,137)	(1,464,822)
Total liabilities and stockholders' equity (deficit)	<u>\$ 3,716,487</u>	<u>\$ 2,816,115</u>

See Notes to Consolidated Financial Statements

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

	Nine Months Ended September 30,		Cumulative From Inception to September 30,	Three Months Ended September 30,	
	2008	2007	2008	2008	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	\$ 4,450,099	\$ 1,969,514	\$ 9,412,116	\$ 3,639,234	\$ 33,330
Less Cost of goods sold (includes an inventory reserve of \$314,810, \$182,463, \$481,860, \$27,989, and \$63,343)	3,781,648	1,493,110	7,840,303	2,833,148	80,881
Gross margin	668,451	476,404	1,571,813	806,086	(47,551)
Expenses					
Research and development	2,955,595	2,690,960	22,132,820	1,169,528	913,356
Less - Participation by the Office of the Chief Scientist of the State of Israel	—	—	558,195	—	—
	2,995,595	2,690,960	21,574,625	1,169,528	913,356
Operating, general and administrative expenses (1)	2,548,045	2,912,665	30,087,362	850,734	918,465
Stock based compensation – net	311,150	204,495	18,360,141	11,551	68,165
Total expenses	5,814,790	5,808,120	70,022,128	2,031,813	1,899,986
Other operating income - gain on sale of fixed assets - related party	—	179,755	179,755	—	—
Operating loss	(5,146,339)	(5,151,961)	(68,270,560)	(1,225,727)	(1,947,537)
Interest expense	(505,922)	(924,106)	(3,132,448)	(167,086)	(658,903)
Amortization of beneficial conversion feature of convertible debt	(368,043)	(2,622,325)	(11,652,045)	(162,343)	(1,464,043)
Amortization of deferred financing costs	(940,093)	(3,214,818)	(22,757,813)	(362,230)	(1,701,448)
Interest income	32,044	64,134	717,060	4,510	15,074
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	(6,928,353)	(11,854,675)	(110,056,112)	(1,912,876)	(5,756,857)
Minority interest in subsidiary loss	—	—	25,000	—	—
Loss before extraordinary item	(6,928,353)	(11,854,675)	(110,031,112)	(1,912,876)	(5,756,857)
Extraordinary item - loss on extinguishment of debt	—	—	(9,778,167)	—	—
Net loss	(6,928,353)	(11,854,675)	(119,809,279)	(1,912,876)	(5,756,857)
Deemed dividends on convertible preferred stock	—	—	(1,820,859)	—	—
Net loss attributable to common stockholders	\$ (6,928,353)	\$ (11,854,675)	\$ (121,630,138)	\$ (1,912,876)	\$ (5,756,857)
Net loss per share	\$ (0.03)	\$ (0.05)		\$ (0.01)	\$ (0.02)
Weighted average number of shares outstanding	254,615,704	236,977,224		254,615,704	253,295,705
(1) Excludes non-cash, stock based compensation expense as follows:					
Research and development, net	\$ —	\$ —	\$ 1,454,192	\$ —	\$ —
Operating, general and administrative, net	311,150	204,495	16,905,949	11,551	68,165
	\$ 311,150	\$ 204,495	\$ 18,360,141	\$ 11,551	\$ 68,165

See Notes to Consolidated Financial Statements

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

	Nine Months Ended September 30,		Cumulative From Inception to September 30,
	2008	2007	2008
	(Unaudited)	(Unaudited)	(Unaudited)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (6,928,353)	\$ (11,854,675)	\$ (119,809,279)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	219,603	279,159	1,722,389
Amortization of note discount	940,093	3,214,818	22,112,942
Amortization of beneficial conversion feature of convertible debt	368,043	2,622,325	11,652,045
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	311,150	451,727	32,453,572
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	(81,772)	842,666	(254,653)
Inventory	202,833	(361,570)	(271,230)
Prepaid expenses and other current assets	(650,773)	(10,194)	(723,249)
Prepaid licensing fees	81,997	118,798	135,000
Accounts payable	460,173	(189,484)	1,750,077
Accrued expenses and other current liabilities	311,220	111,686	1,057,296
Net cash used in operating activities	(4,765,786)	(4,948,900)	(46,862,902)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases 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	(151,474)	(143,542)	(2,353,664)
Proceeds from sale of fixed assets	—	194,997	238,097
Loans to officers	—	—	(2,137,677)
Repayment of loans to officer	—	—	1,431,226
Net cash (used in) provided by investing activities	(276,474)	51,455	(4,557,018)

See Notes to Consolidated Financial Statements

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

	Nine Months Ended September 30,		Cumulative From Inception to September 30,
	2008	2007	2008
	(Unaudited)	(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
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	11,500,000	15,860,000
Finance costs relating to issuance of notes payable	—	(620,000)	(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)	(3,269,220)	(4,661,850)
Repayment of notes payable	—	(4,000,000)	(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>3,610,780</u>	<u>52,275,285</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	309,240	(1,286,665)	855,365
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<u>546,125</u>	<u>2,385,668</u>	<u>—</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u>\$ 855,365</u>	<u>\$ 1,099,003</u>	<u>\$ 855,365</u>
Noncash financing and investing activities:			
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>\$ 3,912,252</u>	
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	<u>\$ 12,180</u>	<u>\$ 615,025</u>	

See Notes to Consolidated Financial Statements

AMBIENT CORPORATION
(A Development Stage Company)

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Ambient Corporation and its subsidiary (collectively the "Company") have been prepared in accordance with generally accepted accounting principles accepted in the United States of America ("GAAP") for interim financial information and with Article 8-03 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended September 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 December 31, 2007 consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by accounting principles generally in the United States of America.

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

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

The Company has been funding in part its operating cash flow deficit during fiscal year 2007 primarily from the proceeds of the private placements to an institutional investor of the Company's senior secured convertible promissory notes that it issued in July and November 2007, and January 2008, the net proceeds of which totaled approximately \$7.8 million. Additionally, in April 2008, the Company raised from such investor additional net proceeds of \$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 September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("SFAS 157"). SFAS 157 provides a common definition of fair value and establishes a framework to make the measurement of fair value in generally accepted accounting principles more consistent and comparable. SFAS 157 also requires expanded disclosures to provide information about the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to measure fair value, and the effect of fair value measures on earnings. SFAS 157 is effective for fiscal years beginning after November 15, 2007 (our 2009 fiscal year), although early adoption is permitted. In February 2008, the FASB formally provided a one-year deferral for the implementation of SFAS 157 only with regard to certain nonfinancial assets and liabilities. We have not yet determined the impact, if any, of SFAS 157 on the Company's consolidated results of operations or financial position.

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

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

On January 1, 2008 the Company adopted SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115" (SFAS No. 159), which permits a company to measure certain financial assets and financial liabilities at fair value that were not previously required to be measured at fair value. The Company has not elected to measure any financial assets and financial liabilities at fair value which were not previously required to be measured at fair value. Therefore, the adoption of this standard has had no effect on our results of operations.

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

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 the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States (commonly referred to as the GAAP hierarchy). The statement is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. The Company is currently evaluating the potential impact, if any, the adoption of SFAS No. 162 will have on its financial position, results of operations, cash flows, and disclosures.

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

NOTE 3 - NET LOSS PER SHARE

Basic (loss) per share is computed by dividing net (loss) applicable to common shares by the weighted-average of shares of common stock, outstanding during the period. Diluted (loss) per share adjusts basic (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 September 30,	
	2008	2007
Stock options	30,687,000	22,964,500
Warrants	604,742,855	278,164,999
Convertible debentures	357,142,857	110,604,200

NOTE 4 - SALES AND MAJOR CUSTOMERS

Revenues for the nine months ended September 30, 2008 and 2007 were as follows:

	September 30, 2008	September 30, 2007
	(Unaudited)	(Unaudited)
Hardware	\$ 4,450,099	\$ 1,883,612
Software and services	—	85,902
	<u>\$ 4,450,099</u>	<u>\$ 1,969,514</u>

One customer accounted for 100% and 97% of the hardware revenue for the 2008 and 2007 periods.

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

	September 30, 2008	September 30, 2007
	(Unaudited)	(Unaudited)
Hardware	\$ 3,639,234	\$ 32,130
Software and services	—	1,200
	<u>\$ 3,639,234</u>	<u>\$ 33,330</u>

One customer accounted for 100% of the hardware revenue for the 2008 while another customer accounted for 100% of the Hardware revenue for the 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:

	September 30, 2008	December 31, 2007
	(Unaudited)	
Raw materials	\$ 65,615	\$ 263,698
Finished goods	205,615	210,365
	<u>\$ 271,230</u>	<u>\$ 474,063</u>

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

NOTE 6 – PREPAID EXPENSES

In April 2008, the Company made an advance payment of \$1.25 million to its Electronics Manufacturing Solutions (EMS) contractor. In September 2008, the advance payment made to the EMS contractor was reduced by \$573,070 and applied to invoices.

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.

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

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.

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

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.

AMBIENT CORPORATION
(A Development Stage Company)

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

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 DEPLOYMENT AGREEMENT

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 September 30, 2008, Ambient has recorded revenue of \$3,829,656 pertaining to this order.

Management believes that the purchase order will be fulfilled in 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 November 2008, we held 21 patents, primarily relating to Power Line Communications ("PLC") 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. We have taken steps to ensure the protection of our internally developed intellectual property (IP) and to enhance our position of strength and leadership within the smart grid industry. We currently rely on a combination of patent, trade secret, copyright and trademark law, as well as non-disclosure agreements and invention assignment agreements, to protect our technologies and other proprietary company information. Ambient's communications node has been certified as fully compliant with current FCC rules including requirements for Access PLC equipment. Ambient participates in key PLC industry associations, and Ambient's 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 and other potential customer. Dating back to 2000, Ambient has been focused on building communication platforms for utility applications over the existing power line infrastructure, using proprietary PLC technology based upon DS2's chipset. Since our initial PLC 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 the capability to give power quality data back to the utility.

Due to the natural evolution of Ambient's smart grid solution, our nodes presently use a wide range of technologies including but not limited to PLC, Wi-Fi and cellular to deliver a smart grid communications 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 our 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 AmbientNMS and engineering support in building out an intelligent grid/intelligent-metering platform. Management believes that the Company will fulfill the purchase order by the end of 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, Utilmetrics, 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 September 30, 2008, we had an accumulated deficit of approximately \$121.6 million (which includes approximately \$69.3 million in stock-based charges and other non-cash charges).

RESULTS OF OPERATIONS

COMPARISON OF THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2008 TO THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 2007

REVENUES. Revenues for the nine and three months ended September 30, 2008 were \$4,450,099 and \$3,639,234 respectively. Revenues for the corresponding periods in 2007 were \$1,969,514 and \$33,330 respectively. Revenues for the 2008 period were attributable to the sale of equipment and software, related network design, and installation services relating to our most recent purchase order. 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 nine and three months ended September 30, 2008 related to the sales of equipment totaled \$4,450,099 and \$3,639,234 respectively as compared to \$1,883,612 and \$32,130 for the corresponding periods in 2007.

COST OF GOODS SOLD AND GROSS PROFIT. Cost of goods sold for the nine and three months ended September 30, 2008 were \$3,781,648 and \$2,833,148, respectively, compared to \$1,493,110 and \$80,881 during the corresponding periods in 2007. During the nine and three months ended September 30, 2008 cost of goods sold included an inventory reserve of \$314,810 and \$27,989 for excess, obsolete, and surplus inventory resulting from the transition from first to second generation technology. For the nine months ended September 30, 2008, we realized a gross profit of \$668,451 compared to a gross profit of \$476,404 for the corresponding nine month period in 2007 and for the three months ended September 30, 2008 we realized a gross profit of \$806,086 compared to a gross loss of \$47,551 for the corresponding three month periods in 2007. The increases in gross profit for the nine and three months ended September 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 nine and three months ended September 30, 2008 were \$2,955,595 and \$1,169,528, respectively, compared to \$2,690,960 and \$913,356 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 nine and three months ended September 30, 2008 were \$2,548,045 and \$850,734, respectively, compared to \$2,912,665 and \$918,465 for the corresponding periods in 2007. The decrease in general and administrative expense for the nine and three months ended September 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 nine and three months ended September 30, 2008, we incurred non-cash stock-based compensation expense of \$311,150 and \$11,551, respectively, compared to \$204,495 and \$68,165 for the corresponding periods in 2007.

OTHER OPERATING INCOME. For the nine months ended September 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 months periods in 2008 and 2007. Other income for the first nine months 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 nine and three months ended September 30, 2008, we incurred non-cash expenses, excluding stock-based compensation to employees and consultants, of \$1,308,136 and \$524,573, respectively, compared to \$5,837,143 and \$3,165,491 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 nine and three months ended September 30, 2008, we incurred interest expense of \$505,922 and \$167,086, respectively, compared to \$924,106 and \$658,903 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 \$855,365 at September 30, 2008 and \$546,125 at December 31, 2007.

Net cash used in operating activities for the nine months ended September 30, 2008 was \$4,765,786 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 \$271,230 as of September 30, 2008.

Net cash used in investing activities totaled \$276,474 during the nine months ended September 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 nine month ended September 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 September 30, 2008, we have funded our operations primarily through the issuance of our securities.

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 6. EXHIBITS**

Exhibit No.	Description
31	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.
32	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: November 14, 2008

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

November 14, 2008

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

EXHIBIT 32

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

In connection with the Annual Report of Ambient Corporation (the "Company") on Form 10-Q for the quarter ended September 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: November 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.