

Ambit Energy

Policies and Procedures

These Policies and Procedures have been designed to give our Independent Consultants clear guidelines on how to operate a successful network marketing business. Beyond these day-to-day guidelines, Ambit is a company that inspires and encourages ethical business practices in all we do.

Contents

Page

Section 1: Code of Ethics	7	4.2.9 Trademarks and Copyrights	7
4 1.1 Integrity and Responsibility	7	4.2.10 Media and Media Inquiries	7
4 1.2 Deceptive and Unlawful Practices	7	4.2.11 Unsolicited E-mail	7
4 1.3 Honesty in Representing the Ambit Opportunity	7	4.2.12 Unsolicited Faxes	8
4 1.4 Downline Support	8	4.3 Bonus Buying Prohibited	8
4 1.5 Adherence with Laws	8	4.4 Business Entities	8
4 1.6 Compliance with Code of Ethics	8	4.4.1 Corporation	8
	8	4.4.2 Partnerships	8
Section 2: Introduction	9	4.4.3 Trusts	9
4 2.1 Policies and Compensation Plan Incorporated into Consultant Agreement	9	4.4.4 Business Entity Transfers May Not Result in Sponsor Changes	9
4 2.2 Purpose of Policies	9	4.5 Change of Sponsor	9
5 2.3 Changes to the Agreement	9	4.6 Unauthorized Claims	9
5 2.4 Delays	9	4.6.1 Indemnification	9
5 2.5 Policies and Provisions Severable	9	4.6.2 Income Claims	9
5 2.6 Waiver	9	4.7 Trade Shows, Expositions and Others Sales Forums	10
Section 3: Becoming a Consultant	10	4.8 Conflicts of Interest	10
5 3.1 Requirements to Become a Consultant	10	4.8.1 Nonsolicitation	10
5 3.2 No Product Purchase Required	10	4.8.2 Sale of Competing Energy Services	10
5 3.3 Second-party Purchase of the Optional Ambit Support and Services Program	10	4.8.3 Consultant Participation in Other Direct Selling Programs	10
5 3.4 Consultant Benefits	10	4.8.4 Downline Activity (Genealogy) Reports	10
6 3.5 Term and Renewal of Your Ambit Business	10	4.9 Targeting Other Direct Sellers	11
Section 4: Operating an Ambit Business	11	4.10 Cross-Sponsoring	11
6 4.1 Adherence to the Ambit Compensation Plan	11	4.11 Slamming	11
6 4.2 Advertising	11	4.12 Contacting Suppliers	11
6 4.2.1 General	11	4.13 Errors or Questions	11
6 4.2.2 Use of Company-Produced Advertising Materials Only	11	4.14 Governmental Approval or Endorsement	11
6 4.2.3 Consultant Web Sites	11	4.15 Identification	11
6 4.2.4 Independently Produced Websites	11	4.16 Naming Your Independent Consultant Business	11
6 4.2.5 Links to an Ambit Website	11	4.17 Income Taxes	11
7 4.2.6 Blogs, Chat Rooms, Social Networks, Online Auctions, and other Online Forums	11	4.18 Independent Contractor Status	12
7 4.2.7 Banner Advertising	12	4.19 Insurance	12
7 4.2.8 Domain Names	12	4.20 Adherence to Laws and Ordinances	12
		4.21 Minors	12

12	4.22	Family Businesses
12	4.22.1	One Ambit Business per Couple
12	4.22.2	Family Members within the Same Household
13	4.22.3	Actions of Household Members or Affiliated Individuals
13	4.23	Customers without a Designated Consultant
13	4.24	Sale, Transfer or Assignment of Ambit Business
13	4.25	Separation of an Ambit Business
13	4.25.1	Divorce
13	4.25.2	Business Entity Dissolution
13	4.25.3	No Commission or Downline Division
14	4.26	Sponsoring
14	4.27	Succession
14	4.27.1	Transfer Upon Death of a Consultant
14	4.27.2	Transfer Upon Incapacitation of a Consultant
14	4.28	Telemarketing Techniques

Section 5: Responsibilities of Consultants

15	5.1	Change of Address, Telephone and E-mail Addresses
15	5.2	Continuing Development Obligations
15	5.2.1	Ongoing Training
15	5.2.2	Increased Training Responsibilities
15	5.2.3	Ongoing Sales Responsibilities
15	5.3	Nondisparagement
15	5.4	Providing Documentation to Applicants
16	5.5	Reporting Policy Violations

Section 6: Sales Requirements

16	6.1	Product Sales
16	6.2	Full Cost Disclosure
16	6.3	No Territory Restrictions
16	6.4	Sales Receipts

Section 7: Bonuses and Commissions

16	7.1	Right of Offset
16	7.2	Reports

Section 8: Order Cancellation and Sales Toll

Inventory Repurchase

16	8.1	Return of Inventory and Sales Aids by Consultants Upon Cancellation
17	8.1.1	Montana Residents

Section 9: Dispute Resolution and Disciplinary

Proceedings

17	9.1	Disciplinary Sanctions
17	9.2	Grievances and Complaints
17	9.3	Dispute Resolution
17	9.3.1	Mediation
17	9.3.2	Arbitration
18	9.4	Governing Law, Jurisdiction and Venue

Section 10: Inactivity and Cancellation

18	10.1	Effect of Cancellation
18	10.2	Cancellation Due to Inactivity
18	10.3	Involuntary Cancellation
18	10.4	Voluntary Cancellation

Section 11: Definitions

19		
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Section 1: Code of Ethics

Ambit Energy, L.P., and Ambit Marketing, L.P. (“Ambit” or the “Company”), is guided by core principals established by our founders that emphasize integrity, excellence, commitment and enthusiasm in all that we do. Everything we do is based on our commitment to improve the lives of our customers, employees and Independent Consultants (“Consultants”). We want Consultants who will embrace these values with us. Therefore, we insist that Consultants operate within the following Code of Ethics, which are part of, and form the foundation of, the Policies and Procedures.

1.1: Integrity and Responsibility

Consultants will conduct themselves with integrity and responsibility and will make the Golden Rule of “do unto others as you would have them do unto you” as the cornerstone on which they build their business.

1.2: Deceptive and Unlawful Practices

Consultants will uphold the values of Ambit and will not engage in any deceptive, unlawful or unethical consumer or recruiting practice that may be detrimental or reflect poorly on Ambit, the network marketing industry or themselves. Consultants will support and advocate the Policies and Procedures and will respect the spirit and intent in which they were written.

1.3: Honesty in Representing the Ambit Opportunity

Consultants will familiarize themselves with Ambit’s Compensation Plan and energy service and will represent those to their Customers and prospective Independent Consultants realistically and without misleading or providing false expectations. Any claims, representations or statements Consultants make regarding Ambit will be those included in the Ambit literature.

1.4: Downline Support

Consultants will, to the best of their ability, accept and fulfill their responsibilities to train, motivate, support and encourage all Independent Consultants who join their sales organization. Consultants will treat their business like any other prestigious enterprise and will fulfill commitments they make to their Customers, their fellow Consultants and to employees of the company.

1.5: Adherence with Laws

Consultants will abide by local, state and federal laws that govern their independent business. Consultants understand that it is their responsibility to comply with these laws, the laws of their industry and with Ambit’s Policies and Procedures as they may be amended from time to time.

1.6: Compliance With Code of Ethics.

Consultants will uphold this Code of Ethics and recognize that its success will require diligence to create awareness among all of Ambit’s Independent Consultants. Consultants will not, in any way, attempt to persuade, induce or coerce another party to breach this Code. Any such action is considered a violation of this Code and thereby a violation of Ambit’s Policies and Procedures.

Section 2: Introduction

2.1: Policies and Compensation Plan Incorporated into Consultant Agreement

These Policies and Procedures, in their present form and as amended at the sole discretion of Ambit Marketing, L.P. (hereafter “Ambit” or the “Company”), are incorporated into, and form an integral part of, the Ambit Consultant Agreement. Throughout these Policies, when the term “Agreement” is used, it collectively refers to the Ambit Consultant Application and Agreement, these Policies and Procedures, the Ambit Compensation Plan, and the Ambit Business Entity Application (if applicable). These documents are incorporated by reference into the Ambit Consultant Agreement (all in their current form and as amended by Ambit). It is the responsibility of each Consultant to read, understand, adhere to, and ensure that he or she is aware of and operating under the most current version of these Policies and Procedures. When sponsoring or enrolling a new Consultant, it is the responsibility of the sponsoring Consultant to ensure that the applicant is provided with, or has online access to, the most current version of these Policies and Procedures and the Ambit Compensation Plan prior to his or her execution of the Consultant Agreement.

2.2: Purpose of Policies

Ambit is a direct sales company that markets its products through Independent Consultants. It is important to understand that your success and the success of your fellow Consultants depends on the integrity of the men and women who market our products and services. To clearly define the relationship that exists between Consultants and Ambit, and to explicitly set a standard for acceptable business conduct, Ambit has established the Agreement.

Ambit Consultants are required to comply with all of the Terms and Conditions set forth in the Agreement which Ambit may amend at its sole discretion from time to time, as well as all federal, state, and local laws governing their Ambit business and their conduct. Because you may be unfamiliar with many of these standards of practice, it is very important that you read and abide by the Agreement.

Please review the information in this manual carefully. It explains and governs the relationship between you, as an independent contractor and the Company. If you have any questions regarding any policy or rule, do not hesitate to seek an answer from anyone in your upline or Ambit.

2.3: Changes to the Agreement

Because federal, state, and local laws, as well as the business environment, periodically change, Ambit reserves the right to amend the Agreement and its prices in its sole and absolute discretion. By signing the Consultant Agreement, a Consultant agrees to abide by all amendments or modifications that Ambit elects to make. Amendments shall be effective upon notice to all Consultants that the Agreement has been modified. Notification of amendments shall be published in official Ambit materials. The Company shall provide or make available to all Consultants a complete copy of the amended provisions by one or more of the following methods: (1) posting on the Company's official web site; (2) electronic mail (e-mail); (3) inclusion in Company periodicals; (4) inclusion in product bonus checks; or (5) special mailings. The continuation of a Consultant's Ambit business or a Consultant's acceptance of bonuses or commissions constitutes acceptance of any and all amendments.

2.4: Delays

Ambit shall not be responsible for delays or failures in performance of its obligations when performance is made commercially impracticable due to circumstances beyond its reasonable control. This includes, without limitation, strikes, labor difficulties, riot, war, fire, death, curtailment of a party's source of supply, or government decrees or orders.

2.5: Policies and Provisions Severable

If any provision of the Agreement, in its current form or as may be amended, is found to be invalid, or unenforceable for any reason, only the invalid portion(s) of the provision shall be severed and the remaining terms and provisions shall remain in full force and effect. The severed provision, or portion thereof, shall be reformed to reflect the purpose of the provision as closely as possible.

2.6: Waiver

The Company never gives up its right to insist on compliance with the Agreement and with the applicable laws governing the conduct of a business. No failure of Ambit to exercise any right or power under the Agreement or to insist upon strict compliance by a Consultant with any obligation or provision of the Agreement, and no custom or practice of the parties at variance with the terms of the Agreement, shall constitute a waiver of Ambit's right to demand exact compliance with the Agreement. Waiver by Ambit can be effectuated only in writing by an authorized

officer of the Company. Ambit's waiver of any particular breach by a Consultant shall not affect or impair Ambit's rights with respect to any subsequent breach, nor shall it affect in any way the rights or obligations of any other Consultant. Nor shall any delay or omission by Ambit to exercise any right arising from a breach affect or impair Ambit's rights as to that or any subsequent breach. The existence of any claim or cause of action of a Consultant against Ambit shall not constitute a defense to Ambit's enforcement of any term or provision of the Agreement.

Section 3: Becoming a Consultant

3.1: Requirements to Become a Consultant

To become an Ambit Consultant, each applicant must:

- 3.1.1. Be of the age of majority in his or her state of residence;
- 3.1.2. Reside in the United States or U.S. Territories or country that Ambit has officially announced is open for business;
- 3.1.3. Have a valid Social Security or Federal Tax ID number;
- 3.1.4. Submit a properly completed Consultant Application and Agreement to Ambit.

3.2: No Product Purchase Required

No person is required to purchase Ambit services to become a Consultant. In order to familiarize new Consultants with Ambit products, services, sales techniques, sales aids, and other matters, the Company recommends that they purchase a Starter Kit. Ambit will repurchase resalable kits from any Consultant who terminates his or her Consultant Agreement pursuant to the terms of Section 8.2.

3.3: Second-Party Purchase of the Optional Ambit Support and Services Program

Ambit strictly prohibits the purchase of the optional Support and Services Program by anyone other than the IC receiving that package. Purchase of the optional Support and Services Program for an IC by a second party (including his/her sponsor or any other IC) may result in termination of either or both party's positions from Ambit's program. No IC may loan or advance money to a prospect in order to pay for the optional Support and Services Program to begin the business or to promise reimbursement of any kind to the prospective IC. An IC who purchases the optional Management Services Program via a Personal Website must pay with his/her own credit card.

3.4: Consultant Benefits

Once a Consultant Application and Agreement has been accepted by Ambit, the benefits of the Compensation Plan and the Consultant Agreement are available to the new Consultant. These benefits include the right to:

- 3.4.1. Sell Ambit products and services;
- 3.4.2. Participate in the Ambit Compensation Plan (receive bonuses and commissions, if eligible);
- 3.4.3. Sponsor other individuals Consultants into the Ambit business and thereby, build a marketing organization and progress through the Ambit Compensation Plan;
- 3.4.4. Receive periodic Ambit literature and other Ambit communications;
- 3.4.5. Participate in Ambit-sponsored support, service, training, motivational and recognition functions, upon payment of appropriate charges, if applicable; and
- 3.4.6. Participate in promotional and incentive contests and programs sponsored by Ambit for its Consultants.

3.5: Term and Renewal of Your Ambit Business

A Consultant's Ambit Agreement will remain in force so long as: (a) the Consultant does not voluntarily cancel his or her Consultant agreement, become involuntarily cancelled, or become cancelled for inactivity.

Section 4: Operating an Ambit Business

4.1: Adherence to the Ambit Compensation Plan

Consultants must adhere to the terms of the Ambit Compensation Plan as set forth in official Ambit literature. Consultants shall not offer the Ambit opportunity through, or in combination with, any other system, program, or method of marketing other than that specifically set forth in official Ambit literature. Consultants shall not require or encourage other current or prospective Customers or Consultants to participate in Ambit in any manner that varies from the program as set forth in official Ambit literature. Consultants shall not require or encourage other current or prospective Customers or Consultants to execute any agreement or contract other than official Ambit agreements and contracts in order to become an Ambit Consultant. Similarly, Consultants shall not require or encourage other current or prospective Customers or Consultants to make any purchase from, or payment to, any individual or other entity to participate in the Ambit Compensation Plan other than those purchases or payments identified as recommended or required in official Ambit literature.

4.2: Advertising

4.2.1. *General.* All Consultants shall safeguard and promote the good reputation of Ambit and its products. The marketing and promotion of Ambit, the Ambit opportunity, the Compensation Plan, and Ambit products shall be consistent with the public interest, and must avoid all discourteous, deceptive, misleading, unethical or immoral conduct or practices.

4.2.2. Use of Company Produced Advertising Materials Only.

To promote both the products and services, and the tremendous opportunity Ambit offers, Consultants must use only the sales tools and support materials approved by Ambit in writing may be used. Accordingly, Consultants must not use any of their own literature, advertisements, sales tools and promotional materials, or Internet web pages, in promoting Ambit's services or the Ambit business unless they first submit it to Ambit in writing and receive specific written approval for its use.

4.2.3. *Consultant Web Sites.* All Ambit Independent Consultants are eligible to subscribe to an Ambit Personal Website. The Ambit Personal Website is a personalized online store through which Ambit Consultants may promote and market Ambit's services and recruit Ambit Independent Consultants over the Internet. Consultant Personal Website Addresses (URLs) and all subdomains of a Personal Website address are wholly owned by Ambit. Ambit reserves the right to limit advertising of its Web sites. Only approved advertising and online promotional tools may be used.

4.2.4. *Independently Produced Websites.* Ambit allows its Independent Consultants to place approved advertising on the Internet to promote the Ambit Opportunity, Ambit services and designated Ambit Websites only. However, any Websites (or URLs designating these Websites) on which such advertisements or links are placed may not be obscene, pornographic or otherwise deemed harmful to Ambit's reputation as determined by Ambit at its sole discretion. Additionally, URLs of Web sites used for advertising the Ambit Opportunity, Ambit products and services and designated Ambit Web sites may not contain any term that is a trademark, service mark, copyright, or that violates any other proprietary right held by another. Approved advertising includes only those advertising tools made available to Ambit Consultants through Power Zone. Ambit prohibits the use of unapproved online advertising to promote the Ambit Opportunity, Ambit products and services or any Ambit Web site address (URL) or subdomain of an Ambit URL.

Other than through an Ambit-provided Consultant Personal Website, Ambit Consultants are prohibited

from using Internet Websites to take orders for the Ambit Opportunity or for Ambit products and services.

4.2.5. *Links To an Ambit Website.* Personal Website subscribers are granted a limited, non-exclusive right to create a hyper-text link to the subdomain provided by Ambit that designates the Consultant's personal store (example: <http://www.<uniquename.>goambit.com/>), provided such link does not portray Ambit and/or its affiliates or any of their respective products and services in a false, misleading, derogatory or otherwise defamatory manner. Also, a Consultant cannot create an impression that any subdomain is part of his or her own or other non-Ambit maintained site. This limited right may be revoked at any time. Frames or framing techniques cannot be used to enclose any Ambit trademark, logo, or proprietary information, including the images found at this Web site the content of any text of the layout/design of any page or form contained on a page without Ambit's express written consent. Ambit Consultants cannot send any unsolicited mail (mail to people who have not signed up on a mailing list), which includes the address of any resources on Power Zone.

Except as noted above, Ambit Independent Consultants are not conveyed any patent, trademark, copyright, or proprietary right of Ambit Marketing, L.P., any of its affiliated companies or any third party.

4.2.6. *Blogs, Chat Rooms, Social Networks, Online Auctions, and other On-line Forums.* Consultants shall not use online blogs, chat rooms, social networks, online auctions sites, or any other online forum to market, sell, advertise, promote, or discuss Ambit's services or the Ambit opportunity.

4.2.7. *Banner Advertising.* From time to time Ambit makes banner ads and other online advertising tools available to Ambit Consultants through Power Zone. These tools may be used by Ambit Consultants to promote Ambit services and the Ambit Opportunity as they are intended and as Consultants are directed to use them in Power Zone. As with any Ambit online promotions, these tools may not be placed on Web sites or linked to Web sites or URLs that are obscene, pornographic or otherwise deemed harmful to Ambit's reputation as determined by Ambit at its sole discretion.

4.2.8. *Domain Names.* Consultants may not use or attempt to register any of Ambit's trade names, trademarks, service names, service marks, product names, the Company's name, or any derivative thereof, for any Internet domain name.

4.2.9. *Trademarks and Copyrights.* Ambit will not allow the use of its trade names, trademarks, designs, or symbols by any person, including Ambit Consultants, without its

prior, written permission. Consultants may not produce for sale or distribution any recorded Company events and speeches without written permission from Ambit nor may Consultants reproduce for sale or for personal use any recording of Company-produced audio or video tape presentations.

4.2.10. *Media and Media Inquiries.* All media relations efforts must be coordinated through the Ambit Public Relations Department (1-214-270-1900). Any Consultant who is contacted by the media or wishes to contact the media must first contact an Ambit Public Relations representative before taking any action and/or issuing any statement. Any communications with TV, radio and print media should first be approved by Ambit Public Relations.

4.2.11. *Unsolicited E-mail.* Ambit does not permit Consultants to send unsolicited commercial e-mails unless such e-mails strictly comply with applicable laws and regulations including, without limitation, the federal CAN SPAM Act. Any email sent by a Consultant that promotes Ambit, the Ambit opportunity, or Ambit products and services must comply with the following:

- i. There must be a functioning return email address to the sender.
- ii. There must be a notice in the email that advises the recipient that he or she may reply to the e-mail, via the functioning return e-mail address, to request that future e-mail solicitations or correspondence not be sent to him or her (a functioning "opt-out" notice).
- iii. The e-mail must include the Consultant's physical mailing address.
- iv. The email must clearly and conspicuously disclose that the message is an advertisement or solicitation.
- v. The use of deceptive subject lines and/or false header information is prohibited.
- vi. All opt-out requests, whether received by email or regular mail, must be honored. If a Consultant receives an opt-out request from a recipient of an e-mail, the Consultant must forward the opt-out request to the Company.

Ambit may periodically send commercial e-mails on behalf of Consultants. By entering into the Consultant Agreement, Consultant agrees that the Company may send such e-mails and that the Consultant's physical and e-mail addresses will be included in such e-mails as outlined above. Consultants shall honor opt-out requests generated as a result of such e-mails sent by the Company.

4.2.12. *Unsolicited Faxes.* Except as provided in this section, Consultants may not use or transmit unsolicited faxes or use an automatic telephone dialing system relative to the operation of their Ambit businesses. The term "automatic telephone dialing system" means equipment which has the

capacity to: (a) store or produce telephone numbers to be called, using a random or sequential number generator; and (b) to dial such numbers. The terms “unsolicited faxes” means the transmission via telephone facsimile of any material or information advertising or promoting Ambit, its products, its compensation plan or any other aspect of the company which is transmitted to any person, except that these terms do not include a fax or e-mail: (a) to any person with that person’s prior express invitation or permission; or (b) to any person with whom the Consultant has an established business or personal relationship. The term “established business or personal relationship” means a prior or existing relationship formed by a voluntary two way communication between a Consultant and a person, on the basis of: (a) an inquiry, application, purchase or transaction by the person regarding products offered by such Consultant; or (b) a personal or familial relationship, which relationship has not been previously terminated by either party.

4.3: Bonus Buying Prohibited

Bonus buying is strictly and absolutely prohibited. “Bonus buying” includes: (a) the enrollment of individuals or entities without the knowledge of and/or execution of an Independent Consultant Application and Agreement by such individuals or entities; (b) the fraudulent enrollment of an individual or entity as a Consultant or Customer; (c) the enrollment or attempted enrollment of non-existent individuals or entities as Consultants or Customers (“phantoms”); (d) Purchasing Ambit products or services on behalf of another Consultant or Customer, or under another Consultant’s or Customer’s I.D. number, to qualify for commissions or bonuses; and/or (e) any other mechanism or artifice to qualify for rank advancement, incentives, prizes, commissions or bonuses that is not driven by bona fide product or service purchases by end user consumers.

4.4: Business Entities

4.4.1. *Corporations.* To become a new Consultant as a corporation or to change the status of the corporation, you must provide Ambit with the following:

- Completed Consultant Agreement completed by an authorized officer of the corporation.
- A copy of the corporate Articles of Incorporation which has been file-stamped by the Secretary of State in the state of incorporation.
- Full name, address and Social Security Number of (i) each shareholder of the corporation who owns more than 5% of the outstanding stock of the corporation; (ii) each officer of the corporation; and (iii) each director of the corporation. A copy of the official notification from the Internal Revenue Service issuing the Federal Employer Identification Number (FEIN) for the corporation.

- A copy of the corporate resolution authorizing the corporation to enter into the Consultant Agreement.
- Letter of designation from the corporation designating one individual, who must be at least 18 years of age, as the responsible party for the corporation’s operations and sales.

If an active Consultant desires to change the status from that of an individual Consultant to that of a corporate Consultant, the Consultant must use the Sale/Transfer Form available online through Power Zone. See “Sale/Transfer of Consultant Position” under “Consultant Rights and Obligations” for more details.

It is not permissible for stockholders, officers and directors of the corporation applying as an Consultant corporation to have been Ambit ICs, (1) as individuals, or (2) as members of an Consultant partnership, or (3) as a stockholder, officer or director of another Con-sultant corporation, or (4) as a trustee or a beneficiary of an Consultant trust, within six (6) calendar months preceding the execution of the Consultant Agreement.

4.4.2. *Partnerships.* To become a new Consultant as a partnership or to change the status of the partnership, you must provide Ambit with the following:

- A completed Consultant Agreement;
- A copy of the partnership agreement executed by all partners;
- Full name, address and social security number of each partner;
- A copy of the official notification from the Internal Revenue Service issuing the Federal Employer Identification Number (FEIN) for the partnership;
- A copy of the consent of the partnership to enter into the Consultant Agreement with Ambit; and
- A letter of designation from the partnership designating one individual, who must be at least 18 years of age, as the responsible party for the partnership’s operations.

It is not permissible for any partner applying as an Consultant partnership to have been an Ambit Consultant (1) as an individual, or (2) as a partner of another Consultant partner-ship, or (3) as a stockholder, officer or director of an Consultant corporation, or (4) as a trustee or a beneficiary of an Consultant trust, within six (6) calendar months preceding the execution of the Consultant Agreement.

4.4.3. *Trusts.* To become a new Consultant as a trust or to change the status of the Consultant position to a trust, you must provide Ambit with the following:

- Completed Consultant Agreement signed by all trustees of the trust.
- A complete copy of the trust agreement.
- Full name, address and Social Security number of all trustees and beneficiaries.

- A copy of the official notification from the Internal Revenue Service issuing the Federal Employer Identification Number (FEIN) for the trust.
- Letter of designation from the trustees designating one individual, who must be at least 18 years of age, as the responsible party for the trust's operations and sales.

If an active Consultant desires to change status from that of an individual Consultant to that of a trust Consultant, the Consultant must use the Sale/Transfer Form available on-line through Power Zone. See "Sale/Transfer of Consultant Position" under "Consultant Rights and Obligations" for more details.

It is not permissible for any trustee or beneficiary of a trust applying as an Consultant trust to have been an Ambit Consultant 1) as an individual, or (2) as a partner of an Consultant partnership, or (3) as a stockholder, officer or director of a Consultant corporation, or (4) as a trustee or a beneficiary of another Consultant trust, within six (6) calendar months preceding the execution of the trust Consultant agreement.

4.4.4: Business Entity Transfers May Not Result in Sponsor Changes. To prevent the circumvention of Section 4.24 (regarding transfers and assignments of Ambit business), if an additional partner, shareholder, member, or other business entity affiliate is added to a business entity, the original applicant must remain as a party to the original Consultant Application and Agreement. If the original Consultant wants to terminate his or her relationship with the Company, he or she must transfer or assign his or her business in accordance with Section 4.24. If this process is not followed, the business shall be canceled upon the withdrawal of the original Consultant. All bonus and commission checks will be sent to the address of record of the original Consultant.

Please note that the modifications permitted within the scope of this paragraph do not include a change of sponsorship. Changes of sponsorship are addressed in Section 4.5, below. In cases in which an improper sponsor change has occurred, Ambit reserves the sole and exclusive right to determine the final disposition of the downline organization. Resolving conflicts over the proper placement of a downline that has developed under an organization that has improperly switched sponsors is often extremely difficult. Therefore, CONSULTANTS WAIVE ANY AND ALL CLAIMS AGAINST AMBIT THAT RELATE TO OR ARISE FROM AMBIT'S DECISION REGARDING THE DISPOSITION OF ANY DOWNLINE ORGANIZATION THAT DEVELOPS BELOW AN ORGANIZATION THAT HAS IMPROPERLY CHANGED LINES OF SPONSORSHIP.

4.5: Change of Sponsor

To protect the integrity of all marketing organizations and safeguard the hard work of all Consultants, Ambit prohibits changes in sponsorship. Maintaining the integrity of sponsorship is critical for the success of every Consultant and marketing organization. Accordingly, the transfer of an Ambit business from one sponsor to another is not permitted unless the Consultant voluntarily cancels his or her Ambit business and remaining inactive (i.e., no purchases of Ambit services, no sales of Ambit services, no sponsoring, no attendance at any Ambit functions, participation in any other form of Consultant activity, or operation of any other Ambit business) for six (6) full calendar months. Following the six-month period of inactivity, the former Consultant may reapply under a new sponsor.

In cases in which an improper sponsor change has occurred, Ambit reserves the sole and exclusive right to determine the final disposition of the downline organization. Resolving conflicts over the proper placement of a downline that has developed under an organization that has improperly switched sponsors is often extremely difficult. Therefore, CONSULTANTS WAIVE ANY AND ALL CLAIMS AGAINST AMBIT THAT RELATE TO OR ARISE FROM AMBIT'S DECISION REGARDING THE DISPOSITION OF ANY DOWNLINE ORGANIZATION THAT DEVELOPS BELOW AN ORGANIZATION THAT HAS IMPROPERLY CHANGED LINES OF SPONSORSHIP.

4.6: Unauthorized Claims

4.6.1: Indemnification. A Consultant is fully responsible for all of his or her verbal and written statements made regarding Ambit products, services, and the Compensation Plan which are not expressly contained in official Ambit materials. Consultants agree to indemnify Ambit and Ambit's directors, officers, employees, and agents, and hold them harmless from any and all liability including judgments, civil penalties, refunds, attorney fees, court costs, or lost business incurred by Ambit as a result of the Consultant's unauthorized representations or actions. This provision shall survive the termination of the Consultant Agreement.

4.6.2 Income Claims. In their enthusiasm to enroll prospective Consultants, some Consultants are occasionally tempted to make income claims or earnings representations to demonstrate the inherent power of network marketing. This is counterproductive because new Consultants may become disappointed very quickly if their results are not as extensive or as rapid as the results others have achieved. At Ambit, we firmly believe that the Ambit income potential is great enough to be highly attractive, without reporting the earnings of others.

Moreover, the Federal Trade Commission and several states have laws or regulations that regulate or even prohibit certain types of income claims and testimonials made by persons engaged in network marketing. While Consultants may believe it beneficial to provide copies of checks, or to disclose the earnings of themselves or others, such approaches have legal consequences that can negatively impact Ambit as well as the Consultant making the claim unless appropriate disclosures required by law are also made contemporaneously with the income claim or earnings representation. Because Ambit Consultants do not have the data necessary to comply with the legal requirements for making income claims, a Consultant, when presenting or discussing the Ambit opportunity or Compensation Plan to a prospective Consultant, may not make income projections, income claims, or disclose his or her Ambit income (including the showing of checks, copies of checks, bank statements, or tax records).

4.7: Trade Shows, Expositions and Other Sales Forums

Consultants may display and/or sell Ambit services at trade shows and professional expositions. Before submitting a deposit to the event promoter, Consultants must contact the Consultant Services department in writing for conditional approval.

4.8: Conflicts of Interest

4.8.1. *Nonsolicitation.* Ambit Consultants are free to participate in other multilevel or network marketing business ventures or marketing opportunities (collectively "network marketing"). However, during the term of this Agreement, Consultants may not directly or indirectly Recruit other Ambit Consultants or Customers for any other network marketing business.

Following the cancellation of a Consultant's independent Consultant Agreement, and for a period of one year thereafter, with the exception of a Consultant who is personally sponsored by the former Consultant, a former Consultant may not Recruit any Ambit Consultant or Customer for another network marketing business. "Recruit" means the actual or attempted sponsorship, solicitation, enrollment, encouragement, or effort to influence in any other way, either directly, indirectly, or through a third party, another Ambit Consultant or Customer to enroll or participate in another multilevel marketing, network marketing or direct sales opportunity.

Consultants and the Company recognize that because network marketing is conducted through networks of independent contractors broadly dispersed across the entire United States and internationally, and business is commonly conducted via the Internet and telephone, an effort to narrowly limit the geographic scope of this non-

solicitation provision would render it wholly ineffective. Therefore, Consultants and Ambit agree that this non-solicitation provision shall apply throughout the United States.

4.8.2. *Sale of Competing Energy Services.* Consultants must not sell, or attempt to sell, any non-Ambit energy related programs, products or services to Ambit Customers or Consultants.

4.8.3. *Consultant Participation in Other Direct Selling Programs.* If a Consultant is engaged in other non-Ambit direct selling programs, it is the responsibility of the Consultant to ensure that his or her Ambit business is operated entirely separate and apart from any other program. To this end, the following must be adhered to:

- Consultants shall not display Ambit promotional material, sales aids, products or services with or in the same location as, any non-Ambit promotional material or sales aids, products or services.
- Consultants shall not offer the Ambit opportunity, products or services to prospective or existing Customers or Consultants in conjunction with any non-Ambit program, opportunity, product or service.
- Consultants may not offer any non-Ambit opportunity, products, services or opportunity at any Ambit-related meeting, seminar or convention, or within two hours and a five-mile radius of the Ambit event. If the Ambit meeting is held telephonically or on the Internet, any non-Ambit meeting must be at least two hours before or after the Ambit meeting, and on a different conference telephone number or internet web address from the Ambit meeting.

4.8.4. *Downline Activity (Genealogy) Reports.* Consultant access to their Downline Activity Reports is password protected. All Downline Activity Reports and the information contained therein are confidential and constitute proprietary information and business trade secrets belonging to Ambit. Downline Activity Reports are provided to Consultants in strictest confidence and are made available to Consultants for the sole purpose of assisting Consultants in working with their respective Downline Organizations in the development of their Ambit business. Consultants should use their Downline Activity Reports to assist, motivate, and train their downline Consultants. The Consultant and Ambit agree that, but for this agreement of confidentiality and nondisclosure, Ambit would not provide Downline Activity Reports to the Consultant. A Consultant shall not, on his or her own behalf, or on behalf of any other person, partnership, association, corporation or other entity:

4.8.4.1. Directly or indirectly disclose any information contained in any Downline Activity Report to any third party;

4.8.4.2. Directly or indirectly disclose the password or other access code to his or her Downline Activity Report;”

4.8.4.3. Use the information to compete with Ambit or for any purpose other than promoting his or her Ambit business;

4.8.4.4. Recruit or solicit any Consultant or Customer of Ambit listed on any report, or in any manner attempt to influence or induce any Consultant or Pre-ferred Customer of Ambit, to alter their business relationship with Ambit; or

4.8.4.5. Use or disclose to any person, partnership, association, corporation, or other entity any information contained in any Downline Activity Report.

Upon demand by the Company, any current or former Consultant will return the original and all copies of Downline Activity Reports to the Company.

4.9: Targeting Other Direct Sellers.

Ambit does not condone Consultants specifically or consciously targeting the sales force of another direct sales company to sell Ambit products or to become Consultants for Ambit, nor does Ambit condone Consultants solicitation or enticement of members of the sales force of another direct sales company to violate the terms of their contract with such other company. Should Consultants engage in such activity, they bear the risk of being sued by the other direct sales company. If any lawsuit, arbitration or mediation is brought against a Consultant alleging that he or she engaged in inappropriate recruiting activity of its sales force or customers, Ambit will not pay any of Consultant's defense costs or legal fees, nor will Ambit indemnify the Consultant for any judgment, award, or settlement.

4.10. Cross-Sponsoring.

Actual or attempted cross sponsoring is strictly prohibited. "Cross-sponsoring" is defined as the enrollment of an individual who or entity that already has a current Customer or Consultant Agreement on file with Ambit, or who has had such an agreement within the preceding six calendar months, within a different line of sponsorship. The use of a spouse's or relative's name, trade names, DBAs, assumed names, corporations, partnerships, trusts, federal ID numbers, or fictitious ID numbers to circumvent this policy is prohibited. Consultants shall not demean, discredit or defame other Ambit Consultants in an attempt to entice another Consultant to become part of the first Consultant's marketing organization. This policy shall not prohibit the transfer of an Ambit business in accordance with Section 4.5.

If Cross-Sponsoring is discovered, it must be brought to the Company's attention immediately. Ambit may take disciplinary action against the Consultant that changed organizations and/or those Consultants who encouraged or

participated in the Cross-Sponsoring. Ambit may also move all or part of the offending Consultant's downline to his or her original downline organization if the Company deems it equitable and feasible to do so. However, Ambit is under no obligation to move the Cross Sponsored Consultant's downline organization, and the ultimate disposition of the organization remains within the sole discretion of Ambit. Consultants waive all claims and causes of action against Ambit arising from or relating to the disposition of the Cross-Sponsored Consultant's downline organization.

4.11. Slamming. Consultants must never switch, or attempt to switch any individual or entity to Ambit's energy services unless the person has authorized the transfer by signing a Letter of Authorization (LOA) consenting to change their service to Ambit's service.

4.12. Contacting Suppliers. Under no circumstances may a Consultant contact any Ambit supplier of energy service or other Ambit supplier of services without prior written authorization from an authorized officer of Ambit. Further, under no circumstances may a Consultant directly contact a competitive retail electricity provider on behalf of Ambit or in connection with any Ambit business without receiving prior written authorization from an authorized officer of Ambit.

4.13. Errors or Questions.

If a Consultant has questions about or believes any errors have been made regarding commissions, bonuses, Downline Activity Reports, or charges, the Consultant must notify Ambit in writing within 60 days of the date of the purported error or incident in question. Ambit will not be responsible for any errors, omissions or problems not reported to the Company within 60 days.

4.14. Governmental Approval or Endorsement.

Neither federal nor state regulatory agencies or officials approve or endorse any direct selling or network marketing companies or programs. Therefore, Consultants shall not represent or imply that Ambit or its Compensation Plan have been "approved," "endorsed" or otherwise sanctioned by any government agency.

4.15. Identification.

Every Ambit Independent Consultant will be assigned a unique identification number "code" which will become their identification number and will be used in all correspondence. Every Ambit identification number must have a corresponding tax ID number provided by the Consultant during the application process. Only Social Security numbers or FEINs issued by the Social Security Administration or Internal Revenue Service, for use by the individual or organization filling out the Consultant Agreement, will be accepted. Providing false or invalid

Social Security numbers or FEINs to Ambit will subject a Consultant to termination. All identification numbers will be kept strictly confidential, except where properly and legally required.

4.16. Naming Your Independent Consultant Business.

The name of a Consultant position is determined by the name identified on the Consultant Agreement. No other name may be used in conjunction with a Consultant business. To alter the Consultant name (including the addition or deletion of a spouse, a change in last name, creating a D.B.A. "Doing Business As," or any other name change) the Sale/Transfer Packet must be used. In these cases, the \$45 administrative fee will be waived. Using a name other than the one appearing on the Consultant account is strictly prohibited.

4.17. Income Taxes.

Each Consultant is responsible for paying local, state, and federal taxes on any income generated as an Independent Consultant. If an Ambit business is tax exempt, the Federal tax identification number must be provided to Ambit. Every year, Ambit will provide an IRS Form 1099-MISC (Non-employee Compensation) earnings statement to each U.S. resident who: 1) Had earnings of over \$600 in the previous calendar year; or 2) Made purchases during the previous calendar year in excess of \$5,000.

4.18. Independent Contractor Status.

Consultants are independent contractors, and are not purchasers of a franchise or a business opportunity. The agreement between Ambit and its Consultants does not create an employer/employee relationship, agency, partnership, or joint venture between the Company and the Consultant. Consultants shall not be treated as an employee for his or her services or for Federal or State tax purposes. All Consultants are responsible for paying local, state, and federal taxes due from all compensation earned as a Consultant of the Company. The Consultant has no authority (expressed or implied), to bind the Company to any obligation. Each Consultant shall establish his or her own goals, hours, and methods of sale, so long as he or she complies with the terms of the Consultant Agreement, these Policies and Procedures, and applicable laws.

The name of Ambit and other names as may be adopted by Ambit are proprietary trade names, trademarks and service marks of Ambit. As such, these marks are of great value to Ambit and are supplied to Consultants for their use only in an expressly authorized manner. Use of Ambit name on any item not produced by the Company is prohibited except as follows:

Consultant's Name
Independent Ambit Consultant

All Consultants may list themselves as an "Independent Ambit Consultant" in the white or yellow pages of the telephone directory under their own name. No Consultant may place telephone directory display ads using Ambit's name or logo. Consultants may not answer the telephone by saying "Ambit", "Ambit Incorporated", or in any other manner that would lead the caller to believe that he or she has reached corporate offices of Ambit.

4.19. Insurance.

You may wish to arrange insurance coverage for your business. Your homeowner's insurance policy does not cover business-related injuries, or the theft of or damage to inventory or business equipment. Contact your insurance agent to make certain that your business property is protected. This can often be accomplished with a simple "Business Pursuit" endorsement attached to your present home owner's policy.

4.20. Adherence to Laws and Ordinances.

Consultants shall comply with all federal, state, and local laws and regulations in the conduct of their businesses. Many cities and counties have laws regulating certain home-based businesses. In most cases these ordinances are not applicable to Consultants because of the nature of their business. However, Consultants must obey those laws that do apply to them. If a city or county official tells a Consultant that an ordinance applies to him or her, the Consultant shall be polite and cooperative, and immediately send a copy of the ordinance to the Compliance Department of Ambit. In most cases there are exceptions to the ordinance that may apply to Ambit Consultants.

4.21. Minors.

A person who is under the age of 18 may not be an Ambit Consultant. Consultants shall not enroll or recruit minors into the Ambit program.

4.22. Family Businesses.

4.22.1. *One Ambit Business Per Couple.* Ambit permits a husband and wife, regardless of where each lives, to operate only one position in Ambit, unless each individual is sponsored by the same Consultant, or unless each individual had a separate Consultant position prior to marriage. A husband and wife, by operating as a single Consultant, represent to Ambit that each of them (i) is bound by the terms of the Consultant Agreement and these Policies and Procedures; (ii) is responsible for any and all conduct by his or her spouse even though only one spouse is designated as a Consultant; and (iii) understands that if the spouse, of any Consultant acts in a manner that would be a violation of the Consultant Agreement and/or these Policies and Procedures, such violation will be attributed to the Consultant position, and thus to both the husband and wife.

4.22.2 - *Family Members Within the Same Household.*

All Consultants and their children, siblings, parents and in-laws residing in the same household may, at the time one or more of them is being sponsored, have the same sponsor or may have one Ambit business. By way of example, a parent and adult child living in the same home may operate one Consultant position or may sign up under the same sponsor. Similarly, if spouses do not elect to operate as a single Consultant, each spouse must sign up under the same sponsor.

4.22.3. *Actions of Household Members or Affiliated Individuals.*

If any member of a Consultant's immediate household engages in any activity which, if performed by the Consultant, would violate any provision of the Agreement, such activity will be deemed a violation by the Consultant and Ambit may take disciplinary action pursuant to the Statement of Policies against the Consultant. Similarly, if any individual associated in any way with a corporation, partnership, trust or other entity (collectively "affiliated individual") violates the Agreement, such action(s) will be deemed a violation by the entity, and Ambit may take disciplinary action against the entity.

4.23. *Customers Without a Designated Consultant.*

A Consultant may claim a customer who lacks a designated Consultant when all three of the following criteria are met: (i) the Consultant can provide the name and Ambit account number of the customer; (ii) the customer's enrollment date is no more than thirty (30) days prior to the Consultant's start date; and (iii) the customer is in Preverify, Pending or Active status. Only the sponsoring Consultant may claim an orphan customer. Customers sponsored by cancelled ICs are not considered orphans and will not be transferred to another Consultant. Under no circumstances will a customer in cancelled status be transferred to another Consultant.

4.24. *Sale, Transfer or Assignment of Ambit Business.* Subject to Ambit's prior review and approval, which approval Ambit may grant at its sole option and discretion, a Consultant may sell or transfer his/her Consultant position to an individual, partnership, trust or corporation. A sale will be defined as a change in which the individual(s) selling the Consultant position no longer maintain(s) a financial interest in the Consultant position upon completion of the sale. A transfer will be defined as a change in name and/or identification number in which the Consultant still retains any financial interest in the Consultant position upon completion of the transfer. Some examples of transfers are: transfer from one spouse to the other spouse; transfer from an individual to a corporation; trust or partnership or vice versa, in which the transferor or any individuals having an interest therein still retains a financial interest; transfer from

social security number to FEIN or vice versa. In all cases, the transferor retains a financial interest/ownership interest after the transfer. The review and approval process will not begin until Ambit has received all of the documentation required in accordance with the requirements set forth in the Position Sale/Transfer Packet, including a check or money order for the applicable processing fees from the Consultant who is selling/ transferring the position. Processing fees are determined by the level of promotion the Consultant position has achieved at the time of the sale/transfer and are to be paid by the seller or transferor to Ambit. There is a \$45.00 processing fee that must be paid by the transferor, and an additional \$45.00 processing fee that must be paid by the transferee.

Ambit reserves the right, at its sole option and discretion, to determine a sale versus a transfer. A Sale/Transfer Form can be obtained online by downloading it from Power Zone. Ambit will not approve any sale or transfer of a Consultant Position for which Ambit receives a Notice of Levy from the Internal Revenue Service or a court-ordered garnishment (i.e., child support) against the transferring position. Ambit will also revoke any sale or transfer of a Consultant position that occurs within a 60-day period in which Ambit receives a Notice of Levy from the Internal Revenue Service or a court-ordered garnishment. Ambit also will not approve any sale or transfer of a Consultant position that involves a Consultant currently under investigation. Once the sale or transfer of a position has been completed, the transferring Consultant may not operate another Consultant position for six months from the date of the sale or transfer.

4.25. Separation of an Ambit Business

4.25.1. *Divorce.* Should a married couple operating a single Consultant position divorce, they must provide Ambit with (i) a certified copy of the final decree of divorce that sets forth ownership of the Consultant position; (ii) a completed Sale/Transfer Form dated no later than ten (10) business days after the date of the final decree of divorce, and (iii) a \$45 nonrefundable check or money order for processing fees. Until Ambit receives proper documentation, the Consultant position will retain its pre-divorce ownership and no changes to the Consultant position will be implemented.

4.25.2. *Business Entity Dissolution.* Upon the dissolution of a business entity (trust, partnership, corporation, etc.), the owners of the business entity shall provide Ambit with written instruction on who shall be the proper party(s) to continue to operate the business, and a \$45.00 processing fee shall apply. The written instruction shall be signed by all owners, shareholders, partners, or trustees, and all signatures shall be notarized.

4.25.3. *No Commission or Downline Division.* Under no circumstances will the Downline Organization of divorcing spouses or a dissolving business entity be divided. Similarly, under no circumstances will Ambit split commission and bonus checks between divorcing spouses or members of dissolving entities. Ambit will recognize only one Downline Organization and will issue only one commission check per Ambit business per commission cycle. Commission checks shall always be issued to the same individual or entity. In the event that parties to a divorce or dissolution proceeding are unable to resolve a dispute over the disposition of commissions and ownership of the business in a timely fashion as determined by the Company, the Consultant Agreement shall be involuntarily canceled.

If a former spouse has completely relinquished all rights in the original Ambit business pursuant to a divorce, he or she is thereafter free to enroll under any sponsor of his or her choosing without waiting six calendar months. In the case of business entity dissolutions, the former partner, shareholder, member, or other entity affiliate who retains no interest in the business must wait six calendar months from the date of the final dissolution before re-enrolling as a Consultant. In either case however, the former spouse or business affiliate shall have no rights to any Consultants in their former organization or to any former retail customer. They must develop the new business in the same manner as would any other new Consultant.

4.26. Sponsoring.

All active Consultants in good standing have the right to sponsor and enroll others into Ambit. Each prospective Customer or Consultant has the ultimate right to choose his or her own Sponsor. If two Consultants claim to be the Sponsor of the same new Consultant or Customer, the Company shall regard the first application received by the Company as controlling.

4.27. Succession.

Upon the death or incapacitation of a Consultant, his or her business may be passed to his or her heirs. Appropriate legal documentation must be submitted to the Company to ensure the transfer is proper. Accordingly, a Consultant should consult an attorney to assist him or her in the preparation of a will or other testamentary instrument. Whenever an Ambit business is transferred by a will or other testamentary process, the beneficiary acquires the right to collect all bonuses and commissions of the deceased Consultant's marketing organization provided the following qualifications are met. The successor(s) must:

- Execute a Consultant Agreement;
- Comply with terms and provisions of the Agreement; and
- Meet all of the qualifications for the deceased Consultant's status.

- Bonus and commission checks of an Ambit business transferred pursuant to this section will be paid in a single check jointly to the devisees. The devisees must provide Ambit with an "address of record" to which all bonus and commission checks will be sent;
- If the business is bequeathed to joint devisees, they must form a business entity and acquire a federal taxpayer Identification number. Ambit will issue all bonus and commission checks and one 1099 to the business entity.

4.27.1. *Transfer Upon Death of a Consultant.* In addition to complying with the above provisions of Section 4.27, to effect a testamentary transfer of an Ambit business, the successor must provide the following to Ambit: (1) an original death certificate; (2) a notarized copy of the will or other instrument establishing the successor's right to the Ambit business; and (3) a completed and executed Consultant Agreement.

4.27.2. *Transfer Upon Incapacitation of a Consultant.* In addition to complying with the above provisions of Section 4.27, to effectuate a transfer of an Ambit business because of incapacity, the successor must provide the following to Ambit: (1) a notarized copy of an appointment as trustee; (2) a notarized copy of the trust document or other documentation establishing the trustee's right to administer the Ambit business; and (3) a completed Consultant Agreement executed by the trustee.

4.28. Telemarketing Techniques.

The Federal Trade Commission and the Federal Communications Commission each have laws that restrict telemarketing practices. Both federal agencies (as well as a number of states) have "do not call" regulations as part of their telemarketing laws. Although Ambit does not consider Consultants to be "telemarketers" in the traditional sense of the word, these government regulations broadly define the term "telemarketer" and "telemarketing" so that your inadvertent action of calling someone whose telephone number is listed on the federal "do not call" registry could cause you to violate the law. Moreover, these regulations must not be taken lightly, as they carry significant penalties (up to \$11,000.00 per violation).

Therefore, Consultants must not engage in telemarketing in the operation of their Ambit businesses. The term "telemarketing" means the placing of one or more telephone calls to an individual or entity to induce the purchase of a Ambit product or service, or to recruit them for the Ambit opportunity. "Cold calls" made to prospective customers or Consultants that promote either Ambit's products or services or the Ambit opportunity constitute telemarketing and are prohibited. However, a telephone call(s) placed to a pro-spective customer or Consultant (a

“prospect”) is permissible under the following situations:

- If the Consultant has an established business relationship with the prospect. An “established business relationship” is a relationship between a Consultant and a prospect based on the prospect’s purchase, rental, or lease of goods or services from the Consultant, or a financial transaction between the prospect and the Consultant, within the eighteen (18) months immediately preceding the date of a telephone call to induce the prospect’s purchase of a product or service.
- The prospect’s personal inquiry or application regarding a product or service offered by the Consultant, within the three (3) months immediately preceding the date of such a call.
- If the Consultant receives written and signed permission from the prospect authorizing the Consultant to call. The authorization must specify the telephone number(s) which the Consultant is authorized to call.
- You may call family members, personal friends, and acquaintances. An “acquaintance” is someone with whom you have at least a recent first-hand relationship within the preceding three months. Bear in mind, however, that if you make a habit of “card collecting” with everyone you meet and subsequently calling them, the FTC may consider this a form of telemarketing that is not subject to this exemption. Thus, if you engage in calling “acquaintances,” you must make such calls on an occasional basis only and not make this a routine practice.
- In addition, Consultants shall not use automatic telephone dialing systems relative to the operation of their Ambit businesses. The term “automatic telephone dialing system” means equipment which has the capacity to: (a) store or produce telephone numbers to be called, using a random or sequential number generator; and (b) to dial such numbers.

Section 5: Responsibilities of Consultant

5.1. Change of Address, Telephone, and E-Mail Addresses

Consultants must report any change of address, email address, or telephone number by calling Consultant Support or by sending written notice to Ambit at the following address:

Ambit Energy
Attention: Consultant Support
1801 North Lamar Street, Suite 200
Dallas, Texas 75202

Written notification of an address change must be signed by all parties when a position is owned by more than one individual (e.g., husband and wife). When mail is returned to Ambit because Ambit has not been informed of an address

change, the Consultant is placed on inactive status.

5.2. Continuing Development Obligations

5.2.1. *Ongoing Training.* Any Consultant who sponsors another Consultant into Ambit must perform a bona fide assistance and training function to ensure that his or her downline is properly operating his or her Ambit business. Consultants must have ongoing contact and communication with the Consultants in their Downline Organizations. Examples of such contact and communication may include, but are not limited to, newsletters, written correspondence, personal meetings, telephone contact, voice mail, electronic mail, and the accompaniment of downline Consultants to Ambit meetings, training sessions, and other functions. Upline Consultants are also responsible to motivate and train new Consultants in Ambit product knowledge, effective sales techniques, the Ambit Compensation Plan, and compliance with Company Policies and Procedures. Communication with and the training of downline Consultants must not, however, violate Section 4.2 (regarding the development of Consultant-produced sales aids and advertising materials).

Consultants must monitor the Consultants in their Downline Organizations to ensure that downline Consultants do not make improper product or business claims, or engage in any illegal or inappropriate conduct. Upon request, every Consultant should be able to provide documented evidence to Ambit of his or her ongoing fulfillment of the responsibilities of a Sponsor.

5.2.2. *Increased Training Responsibilities.* As Consultants progress through the various levels of leadership, they will become more experienced in sales techniques, product knowledge, and understanding of the Ambit program. They will be called upon to share this knowledge with lesser experienced Consultants within their organization.

5.2.3. *Ongoing Sales Responsibilities.* Regardless of their level of achievement, Consultants have an ongoing obligation to continue to personally promote sales through the generation of new customers and through servicing their existing customers.

5.3. Nondisparagement

Ambit wants to provide its independent Consultants with the best products, compensation plan, and service in the industry. Accordingly, we value your constructive criticisms and comments. All such comments should be submitted in writing to Ambit’s Customer Service Department. Remember, to best serve you, we must hear from you! While Ambit welcomes constructive input, negative comments and remarks made in the field by Consultants about the Company, its products, or compensation plan serve no purpose other than to sour the enthusiasm of

other Ambit Consultants. For this reason, and to set the proper example for their downline, Consultants must not disparage, demean, or make negative remarks about Ambit, other Ambit Consultants, Ambit's products, the Marketing and Compensation plan, or Ambit's directors, officers or employees.

5.4. Providing Documentation to Applicants

Consultants must provide the most current version of the Policies and Procedures and the Compensation Plan to individuals whom they are sponsoring to become Consultants before the applicant signs a Consultant Agreement. Additional copies of Policies and Procedures can be downloaded from Ambit's Website.

5.5. Reporting Policy Violations. Consultants observing a Policy violation by another Consultant should submit a written report of the violation directly to the attention of the Ambit Compliance Department. Details of the incidents such as dates, number of occurrences, persons involved, and any supporting documentation should be included in the report.

Section 6: Sales Requirements

6.1. Product Sales

The Ambit Compensation Plan is based on the sale of Ambit products and services to end consumers. Consultants must fulfill personal and Downline Organization retail sales requirements (as well as meet other responsibilities set forth in the Agreement) to be eligible for bonuses, commissions and advancement to higher levels of achievement.

6.2. Full Cost Disclosure

When enrolling customers, you must provide to them all of the costs involved with the service. This includes all of the following, if applicable: cost per kilowatt hour, monthly service fees, one-time fees, taxes and surcharges, time-of-day or other usage limitations, and other costs. All of this information is fully disclosed in the company's Electricity Facts Label, available for download in Power Zone.

6.3. No Territory Restrictions

There are no exclusive territories granted to anyone. No franchise fees are required.

6.4. Sales Receipts

All Consultants must provide their retail customers with two copies of an official Ambit sales receipt at the time of the sale. These receipts set forth the Customer Satisfaction Guarantee as well as any consumer protection rights afforded by federal or state law. Consultants must maintain

all retail sales receipts for a period of two years and furnish them to Ambit at the Company's request. Remember that customers must receive two copies of the sales receipt. In addition, Consultants must orally inform the buyer of his or her cancellation rights.

Section 7: Bonuses and Commissions

7.1. Right of Offset

A Consultant is not required to subscribe to any Ambit Service in order to become an Ambit Independent Consultant. However, if the Consultant selects Ambit as the Consultant's retail electric provider, billing must be paid when due. If an Consultant becomes sixty (60) days past due in paying any Ambit bill, Ambit may, at Ambit's sole option, deduct the amounts owed by the offending Consultant from his or her commission check and may terminate the Consultant. In addition, Ambit may offset any amount certain owed to Ambit by a Consultant against commissions or other amounts owed to such Consultant by Ambit.

7.2. Reports

All information provided by Ambit in online or telephonic downline activity reports, including but not limited to personal and group sales volume (or any part thereof), and downline sponsoring activity is believed to be accurate and reliable. Nevertheless, due to various factors including but not limited to the inherent possibility of human and mechanical error; the accuracy, completeness, and timeliness of orders; denial of credit card and electronic check payments; returned products; credit card and electronic check chargebacks; the information is not guaranteed by Ambit or any persons creating or transmitting the information.

ALL PERSONAL AND GROUP SALES VOLUME INFORMATION IS PROVIDED "AS IS" WITHOUT WARRANTIES, EXPRESS OR IMPLIED, OR REPRESENTATIONS OF ANY KIND WHATSOEVER. IN PARTICULAR BUT WITHOUT LIMITATION THERE SHALL BE NO WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR USE, OR NON INFRINGEMENT.

TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, AMBIT AND/OR OTHER PERSONS CREATING OR TRANSMITTING THE INFORMATION WILL IN NO EVENT BE LIABLE TO ANY CONSULTANT OR ANYONE ELSE FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL, INCIDENTAL, SPECIAL OR PUNITIVE DAMAGES THAT ARISE OUT OF THE USE OF OR ACCESS TO PERSONAL AND GROUP SALES VOLUME INFORMATION (INCLUDING BUT NOT LIMITED TO LOST PROFITS, BONUSSES, OR COMMISSIONS, LOSS OF

OPPORTUNITY, AND DAMAGES THAT MAY RESULT FROM INACCURACY, INCOMPLETENESS, INCONVENIENCE, DELAY, OR LOSS OF THE USE OF THE INFORMATION), EVEN IF AMBIT OR OTHER PERSONS CREATING OR TRANSMITTING THE INFORMATION SHALL HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. TO THE FULLEST EXTENT PERMITTED BY LAW, AMBIT OR OTHER PERSONS CREATING OR TRANSMITTING THE INFORMATION SHALL HAVE NO RESPONSIBILITY OR LIABILITY TO YOU OR ANYONE ELSE UNDER ANY TORT, CONTRACT, NEGLIGENCE, STRICT LIABILITY, PRODUCTS LIABILITY OR OTHER THEORY WITH RESPECT TO ANY SUBJECT MATTER OF THIS AGREEMENT OR TERMS AND CONDITIONS RELATED THERETO.

Access to and use of Ambit's online reporting services and your reliance upon such information is at your own risk. All such information is provided to you "as is." If you are dissatisfied with the accuracy or quality of the information, your sole and exclusive remedy is to discontinue use of and access to Ambit's online and telephone reporting services and your reliance upon the information.

Section 8: Order Cancellation and Sales Tool Inventory Re-Purchase

8.1. Return of Inventory and Sales Aids by Consultants Upon Cancellation

Upon cancellation of a Consultant's Agreement, the Consultant may return any products and sales aids held in his or her inventory for a refund. Consultants may only return sales aids that he or she personally purchased from Ambit (purchases from other Consultants or third parties are not subject to refund) and which are in Resalable condition. Upon receipt of a Resalable sales aid, the Consultant will be reimbursed 90% of the net cost of the original purchase price(s). Shipping charges incurred by a Consultant when the sales aids were purchased will not be refunded. If the purchases were made through a credit card, the refund will be credited back to the same account.

8.1.1. *Montana Residents.* A Montana resident may cancel his or her Consultant Agreement within 15 days from the date of enrollment, and may return his or her starter kit for a full refund within such time period.

Section 9: Dispute Resolution and Disciplinary Proceedings

9.1. Disciplinary Sanctions

Violation of the Agreement, these Policies and Procedures, violation of any common law duty, including but not limited to any applicable duty of loyalty, any illegal, fraudulent, deceptive or unethical business conduct, or any act or omission by a Consultant that, in the sole discretion of the Company may damage its reputation or goodwill (such damaging act or omission need not be related to the Consultant's Ambit business), may result, at Ambit's discretion, in one or more of the following corrective measures:

- Issuance of a written warning or admonition;
- Requiring the Consultant to take immediate corrective measures;
- Imposition of a fine, which may be withheld from bonus and commission checks;
- Loss of rights to one or more bonus and commission checks;
- Ambit may withhold from a Consultant all or part of the Consultant's bonuses and commissions during the period that Ambit is investigating any conduct allegedly in violation of the Agreement. If a Consultant's business is canceled for disciplinary reasons, the Consultant will not be entitled to recover any commissions withheld during the investigation period;
- Suspension of the individual's Consultant Agreement for one or more pay periods;
- Involuntary termination of the offender's Consultant Agreement;
- Termination and/or suspension of the offending Consultant's Ambit Marketing website or website access.
- Any other measure expressly allowed within any provision of the Agreement or which Ambit deems practicable to implement and appropriate to equitably resolve injuries caused partially or exclusively by the Consultant's policy violation or contractual breach;
- In situations deemed appropriate by Ambit, the Company may institute legal proceedings for monetary and/or equitable relief.

9.2. Grievances and Complaints

When a Consultant has a grievance or complaint with another Consultant regarding any practice or conduct in relationship to their respective Ambit businesses, the complaining Consultant should first report the problem to his or her Sponsor who should review the matter and try to resolve it with the other party's upline sponsor. If the matter involves interpretation or violation of Company policy,

it must be reported in writing to the Consultant Services Department at the Company. The Consultant Services Department will review the facts and attempt to resolve it.

9.3. Dispute Resolution

9.3.1. *Mediation.* Prior to instituting an arbitration, the parties shall meet in good faith and attempt to resolve any dispute arising from or relating to the Agreement through non-binding mediation. One individual who is mutually acceptable to the parties shall be appointed as mediator. The mediator's fees and costs, as well as the costs of holding and conducting the mediation, shall be divided equally between the parties. Each party shall pay its portion of the anticipated shared fees and costs at least 10 days in advance of the mediation. Each party shall pay its own attorneys' fees, costs, and individual expenses associated with conducting and attending the mediation. Mediation shall be held in the City of Dallas, Texas and shall last no more than two business days.

9.3.2. *Arbitration.* If mediation is unsuccessful, any controversy or claim arising out of or relating to the Agreement, or the breach thereof, shall be settled by arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Consultants waive all rights to trial by jury or to any court. All arbitration proceedings shall be held in Dallas, Texas. All parties shall be entitled to all discovery rights pursuant to the Federal Rules of Civil Procedure. There shall be one arbitrator, an attorney at law, who shall have expertise in business law transactions with a strong preference being an attorney knowledgeable in the direct selling industry, selected from the panel which the American Arbitration Panel provides. Each party to the arbitration shall be responsible for its own costs and expenses of arbitration, including legal and filing fees. The decision of the arbitrator shall be final and binding on the parties and may, if necessary, be reduced to a judgment in any court of competent jurisdiction. This agreement to arbitration shall survive any termination or expiration of the Agreement.

Nothing in these Policies and Procedures shall prevent Ambit from applying to and obtaining from any court having jurisdiction a writ of attachment, a temporary injunction, preliminary injunction, permanent injunction or other equitable relief available to safeguard and protect Ambit's trade secret and other intellectual property interests prior to, during or following the filing of any arbitration or other proceeding or pending the rendition of a decision or award in connection with any arbitration or other proceeding.

9.4. Governing Law, Jurisdiction and Venue

Jurisdiction and venue of any matter not subject to arbitration shall reside exclusively in Dallas County, State of Texas. The Federal Arbitration Act shall govern all matters relating to arbitration. The law of the State of Texas shall govern all other matters relating to or arising from the Agreement. Notwithstanding the foregoing, and the dispute resolutions provisions in Section 9.3 residents of the State of Louisiana shall be entitled to bring an action against Ambit in their home forum and pursuant to Louisiana law.

Section 10: Inactivity and Cancellation

10.1. Effect of Cancellation

So long as a Consultant remains active and complies with the terms of the Consultant Agreement and these Policies and Procedures, Ambit shall pay commissions to such Consultant in accordance with the Compensation Plan. A Consultant's bonuses and commissions constitute the entire consideration for the Consultant's efforts in generating sales and all activities related to generating sales (including building a downline organization). Following a Consultant's voluntary or involuntary cancellation of his or her Consultant Agreement (all of these methods are collectively referred to as "cancellation"), the former Consultant shall have no right, title, claim or interest to the marketing organization which he or she operated, or any commission or bonus from the sales generated by the organization. A Consultant whose business is cancelled will lose all rights as a Consultant. This includes the right to sell Ambit products and services and the right to receive future commissions, bonuses, or other income resulting from the sales and other activities of the Consultant's former downline sales organization. In the event of cancellation, Consultants agree to waive all rights they may have, including but not limited to property rights, to their former downline organization and to any bonuses, commissions or other remuneration derived from the sales and other activities of his or her former downline organization.

Following a Consultant's cancellation of his or her Consultant Agreement, the former Consultant shall not hold himself or herself out as an Ambit Consultant and shall not have the right to sell Ambit products or services. A Consultant whose Consultant Agreement is canceled shall receive commissions and bonuses only for the last full pay period he or she was active prior to cancellation (less any amounts withheld during an investigation preceding an involuntary cancellation).

10.2. Cancellation Due to Inactivity

To remain “active,” a Consultant must subscribe to a Personal Website and sponsor a new Consultant or enroll a new energy customer within the preceding four months. If a Consultant does not subscribe to a Personal Website and has not sponsored a new Consultant or enrolled a new energy customer in the preceding four months, the Consultant’s Ambit business will be cancelled for inactivity.

10.3. Involuntary Cancellation

A Consultant’s violation of any of the terms of the Agreement, including any amendments that may be made by Ambit in its sole discretion, may result in any of the sanctions listed in Section 9.1, including the involuntary cancellation of his or her Consultant Agreement. Cancellation shall be effective on the date on which written notice is mailed, faxed, or delivered to an express courier, to the Consultant’s last known address (or fax number), or to his/her attorney, or when the Consultant receives actual notice of cancellation, whichever occurs first.

10.4. Voluntary Cancellation

A participant in this network marketing plan has a right to cancel at any time, regardless of reason. Cancellation must be submitted in writing to the Company at its principal business address, which is:

Ambit Energy
Attention: Consultant Cancellation
1801 North Lamar Street, Suite 200
Dallas, Texas 75202

The written notice must include the Consultant’s signature, printed name, address, and Consultant I.D. Number. If a Consultant is also a Customer of Ambit Energy, Ambit will continue to provide energy services to the Customer, and invoice the Customer for such services, unless he or she also specifically requests that his or her energy services also be cancelled.

Section 11: Definitions

Active Consultant: A Consultant who has a current subscription to a Personal Website and has sponsored a new Consultant or enrolled a new energy customer in the preceding four months.

Active Rank: The term “active rank” refers to the current rank of a Consultant, as determined by the Ambit Compensation Plan, for any month. To be considered “active” relative to a particular rank, a Consultant must meet the criteria set forth in the Ambit Compensation Plan for his or her respective rank. (See the definition of “Rank” below.)

Agreement: The contract between the Company and each Consultant includes the Consultant Application and Agreement, the Ambit Policies and Procedures, and the Ambit Compensation Plan, all in their current form and as amended by Ambit in its sole discretion. These documents are collectively referred to as the “Agreement.”

Cancel: The termination of a Consultant’s business. Cancellation may be either voluntary, involuntary, through non-renewal or inactivity.

Genealogy Report: A monthly report generated by Ambit that provides critical data relating to the identities of Consultants, sales information, and enrollment activity of each Consultant’s Marketing Organization. This report contains confidential and trade secret information which is proprietary to Ambit.

Official Ambit Material: Literature, audio or video tapes, and other materials developed, printed, published and distributed by Ambit to Consultants.

Recruit: The actual or attempted sponsorship, solicitation, enrollment, encouragement, or effort to influence in any other way, either directly, indirectly, or through a third party, another Ambit Consultant or Customer to enroll or participate in another multilevel marketing, network marketing or direct sales opportunity.

Resalable. Sales aids shall be deemed “resalable” if each of the following elements is satisfied: 1) they are unopened and unused; 2) packaging and labeling has not been altered or damaged; 3) they are in a condition such that it is a commercially reasonable practice within the trade to sell the merchandise at full price; 4) it is returned to Ambit within one year from the date of purchase; 5) the product contains current Ambit labeling. Any sales aids that are clearly identified at the time of sale as nonreturnable, discontinued, or as a seasonal item, shall not be resaleable.

Retail Customer: An individual who purchases Ambit services from a Consultant but who is not a participant in the Ambit compensation plan.

Upline: This term refers to the Consultant or Consultants above a particular Consultant in a sponsorship line up to the Company. Conversely stated, it is the line of sponsors that links any particular Consultant to the Company.



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