

Ambit Energy, L.P.

Texas Residential Terms of Service

Effective Date (new Customers): August 1, 2009

The following is your Terms of Service Agreement (“Agreement”) with Ambit Energy, L.P. d/b/a Ambit Energy (“Ambit Energy,” “we,” “our”) for the purchase of electricity service for the plan you selected, as specified in the Electricity Facts Label (“EFL”) and hereby made an integral part of this Agreement along with the Your Rights As A Customer (“YRAC”) document. By enrolling for service with Ambit Energy, you agree to be bound by this Agreement and the EFL and pay for the electric service Ambit Energy provides to you under this Agreement and the EFL. Please retain this Agreement, the YRAC, and the EFL for your records. Ambit Energy is certified as a Retail Electric Provider (“REP”) by the Public Utility Commission of Texas (“PUCT”), PUCT Certificate #10117.

Contact Information:

Internet Address www.ambitenergy.com
Mailing Address 1801 N. Lamar Street, Suite 200
 Dallas, TX 75202
Customer Service (877) 282-6248
 Monday – Friday, 8:00 AM – 6:00 PM CT
 Saturdays 10:00 AM – 5:00 PM CT

Ambit Energy will arrange for the delivery of electricity from your local energy delivery company (officially referred to as your Transmission and Distribution Service Provider or “TDSP”) to the service location designated by you pursuant to this Agreement.

Outage Reporting: In the event of an outage in your area, please call your local TDSP:

Oncor Electric Delivery (888) 313-4747
Centerpoint Energy (800) 332-7143
AEP Texas Central (866) 223-8508
AEP Texas North (866) 223-8508
Texas New Mexico Power (888) 866-7456

Ambit Energy is not liable for service interruptions or outages. Any questions relating to your electric distribution lines or meters should be directed to your TDSP listed above.

Service Term: Depending on which plan you (“Customer”) have selected, your service under this Agreement is provided under either a fixed-rate (“term”) product or a variable-price (“month-to-month”) product, as specified in the EFL. The minimum term, if any, for the product you elected to enroll under is stated in

the EFL. If you are a new Customer, your selected product will become effective on the day your service begins with Ambit Energy, which coincides with the date your meter is read by your TDSP. Because this date is determined by your TDSP, Ambit Energy is not able to commit to a specific date for the commencement of service. If you are currently an Ambit Energy Customer and are switching to another product, your selected product will become effective within 24 hours of the request to switch to the new plan.

Contract Renewal: For Customers on a fixed-rate product, upon the expiration of your term, your service will automatically continue on a month-to-month basis under one of Ambit Energy’s variable-price products unless either you or Ambit Energy cancels this Agreement, as specified below in the Cancellation Rights Section of this Agreement. A contract-expiration notice will be sent to you at least fourteen days prior to the end of your initial contract term. If you fail to take action to ensure the continued receipt of retail electric service upon the contract’s expiration, you will automatically continue to be served by Ambit Energy pursuant to a default renewal variable-price product on a month-to-month basis.

Pricing: Your price per kWh for electricity service is listed under the Electricity Price Section of the EFL. If the price noted on the EFL does not include recurring TDSP charges (i.e., monthly recurring TDSP delivery charges), such will be specified on the EFL and will be passed through to you as separate line items on your bill. The price on the EFL does not include non-recurring fees charged by the TDSP, Ambit Energy non-recurring fees noted in this Agreement, ERCOT charges, fees imposed by any government entity, and taxes, all of which you agree to pay and that will appear as separate line items on your bill. You are responsible for all Federal, state and local taxes and charges. Non-recurring TDSP charges may include, but are not limited to, out-of-cycle meter reads, connection and reconnection fees, move-in fees, self-selected meter reads, meter tests, meter-tampering costs, and broken-meter-seal repairs. TDSP surcharge(s) may apply dependent upon your TDSP area. For move-in orders, Customer will be assessed a \$35.00 move-in fee, and for expedited move-ins, Customer will be assessed a \$100.00 expedited move-in fee.

Ambit Energy-related fees include all fees specifically noted in this Terms of Service document and the EFL. Ambit Energy reserves the right to include in any subsequent bill, adjustments related to previous billings, previous billing errors, meter-read errors, miscalculation of taxes or other errors or omissions.

Customers who have enrolled in a variable-price product (month-to-month product) are subject to rate adjustments throughout this Agreement. Customers who choose a fixed-

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rate product have a fixed rate for the term. Regardless if you select a fixed-price product or a variable-price product, in cases of service cancellation due to disconnection for non-payment and subsequent reconnection of service to Ambit Energy, Ambit Energy will reinstate service under Ambit Energy's Standard Plan, a variable-price (month-to-month) product.

RIGHT TO RESCIND: If you are switching to Ambit Energy from another REP, you may rescind this Agreement without fee or penalty of any kind within three Federal business days after receiving the Terms of Service document by notifying Ambit Energy by phone toll-free at (877) 282-6248 or by fax at (214) 969-5928. If rescinding by fax, please write the name on the account, address, phone number, ESI ID, sign, and specify that you are rescinding this Agreement within three Federal business days of receiving Ambit Energy's Terms of Service.

Cancellation Rights: To cancel this Agreement, you may call or fax us at the contact information provided above. Cancellation is permitted for any reason. However, if you enrolled under a fixed-rate product, you agree to remain a Customer of Ambit Energy until the term expires or be subject to an early termination fee, as specified in the EFL.

You may cancel your Agreement with Ambit Energy without penalty if (1) Ambit Energy notifies you of a material change to the Terms of Service and you elect to opt out of the Agreement due to the material change (see the Material Change provision of this Agreement for more information) or (2) you move to another service location and provide evidence that you are moving along with a forwarding address. Ambit Energy reserves the right to terminate this Agreement for non-payment, fraud, believable threats or harm made by the Customer to Ambit Energy's owners, employees or contractors, or for insufficient payments past the due date. Regardless of the method or reason for cancellation of the Agreement, you are responsible for all outstanding charges incurred through the date on which the cancellation is effected by the TDSP.

Payments: You will receive a monthly bill; however, Ambit Energy may not send you a bill if your balance is equal to or less than \$5.00. All bills rendered are due and payable 16 days after issuance ("Due Date"), which is defined as the statement date on your invoice or the postmark date on the envelope, whichever is later. Bills shall be deemed past due and delinquent if payment is not received by Ambit Energy at the close of business on the day the bill is due. Late payments, delinquent or past-due

balances may result in a penalty equal to 5% of the invoiced past-due amount. Ambit Energy will charge \$25.00 for each transaction not processed due to insufficient funds including (a) returned checks, (b) returned electronic-fund transfers, and (c) rejected credit-card transactions. We may also charge a service processing fee of up to \$5.00 for any payment processed by an Ambit Energy Customer Care Specialist.

Voluntary Bill-Payment Assistance Program: Ambit Energy's bill-assistance program is funded by voluntary donations made by our Customers. The proceeds fund bill-payment assistance for residential electric Customers. To provide a voluntary donation to our program, please designate the amount you would like to donate on your remittance slip, which is located on each monthly invoice.

Payment Arrangements: If you are unable to pay your bill on time, please call Customer Care immediately. Ambit Energy may allow you to pay the outstanding bill after its Due Date but before the Due Date of the next bill. Ambit Energy may also charge a service processing fee of up to \$20.00 to establish a payment arrangement. If a disconnection notice was issued before a payment arrangement was made, but a payment arrangement is then subsequently agreed to between you and Ambit Energy, disconnection will be suspended until after the date of the payment agreed to in such payment arrangement. If payment is not received by the due date of the payment arrangement, no further notice will be provided prior to the disconnection of your electric service.

Deferred-Payment Plans: A Customer is eligible to enter into a deferred-payment plan unless the Customer has been issued more than two termination or disconnection notices during the preceding 12 months; or has received service from Ambit Energy for less than three months, and the Customer lacks sufficient credit or a satisfactory history of payment for electric service from a previous REP (or its predecessor electric utility). A deferred-payment plan requires an initial payment of 25% of the outstanding balance, and the remaining balance to be paid over three billing cycles. Your service may still be terminated and disconnected if you do not meet the requirements of a deferred-payment plan.

Average Billing: This program allows you to pay approximately the same monthly amount for electric service. Average monthly billing is calculated by adding the current month's usage with the previous 11 months' usage and dividing by 12. This program is offered to any Customer who meets Ambit Energy's eligibility requirements. Ambit Energy will reconcile your account to determine whether you will receive a credit or will be required to make payment. The reconciliation will occur (1) at the end of every twelve (12) months that you are on Average Billing,

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(2) if you are past due on any monthly bill, (3) if you cancel your service or (4) if you switch to conventional billing.

Disconnection: Without Notice: Ambit Energy may disconnect service immediately for the following reasons: (1) a known dangerous condition exists, in which event prior notice will be given, if possible (notice will be provided by phone or posted on the door of the residential unit as soon as practicable after service is disconnected); (2) service was connected by a person without authority and without an Agreement; (3) service is reconnected without authority after being disconnected for failure to pay; (4) there is evidence of tampering with equipment of the transmission or Local Distribution utility, municipally owned utility or electric cooperative; or (5) there is evidence of theft of service. If service was disconnected due to a dangerous situation, Customer must correct the situation and notify Ambit Energy before service will be reconnected.

Disconnection: With Notice: Ambit Energy may order disconnection of service for non-payment if amounts due remain unpaid ten days after a Disconnection Notice has been sent. Fraud and non-payment shall be considered breaches of this Agreement. Issuance of a disconnect order to the TDSP will generate a \$15.00 Disconnect Fee and a \$50.00 Account Reinstatement Fee regardless of whether your service was disconnected by the TDSP. For expedited reconnections, you will be assessed a \$100.00 expedited-reconnect fee. Disconnection of service will not excuse you from paying any outstanding amounts owed to Ambit Energy. Ambit Energy reserves the right to assess a deposit in the event Ambit Energy issues a disconnect order to your TDSP for non-payment. If service is not reconnected within ten days of disconnection for non-payment, Ambit Energy reserves the right to cancel this Agreement and require a new deposit and move-in fee for service initiation.

Collections: In the event you default in the prompt payment of amounts due under this Agreement, Ambit Energy reserves the right to charge you for any and all fees or charges reasonable and necessary in order to collect or attempt to collect delinquent balances. Ambit Energy may use the services of debt-collection agencies, consumer reporting agencies and other remedies as allowed by law to collect any unpaid balances on your account.

Credit: This Agreement is conditioned upon you demonstrating to us your creditworthiness and is subject to your meeting the credit requirements of Ambit Energy, each in our sole discretion, throughout the Term of your Agreement, as specified in the EFL.

You agree to cooperate with Ambit Energy in establishing your creditworthiness.

Deposits: Ambit Energy will not deny service based on your creditworthiness; however, you may be required to provide an initial deposit if you do not meet Ambit Energy's credit standards, you are a move-in Customer, or you cannot demonstrate satisfactory credit as defined in 25.478 of the PUCT rules (<http://www.puc.state.tx.us/rules/subrules/electric/25.478/25.478.pdf>). If a deposit is required, the total amount of your deposit will not exceed an amount equivalent to the greater of either (1) the sum of the next two months' estimated billings or (2) one-fifth of the estimated annual billing. A separate deposit may be required for each service location enrolled under this Agreement. This deposit requirement can be waived if you are an existing Customer of another REP and can prove that you have had no more than one late payment in the last 12 months of service. There are certain situations in which you may not be required to pay a deposit to initiate service with Ambit Energy, including the following: you have met Ambit Energy's credit standards, you are at least sixty-five years of age or older and you are not past due with your current REP, or you are a victim of family violence and you can provide a Certification Letter for Victim of Family Violence Waiver for Electric and Telephone Service Deposit.

You may be required to provide a deposit to continue to receive electricity service if (1) your average annual electric-service invoice for the last 12 months is at least twice the amount of the original estimated annual invoice or (2) your electricity service has been disconnected once in the previous 12 months. Customers who qualify for the Texas Lite-Up Discount Program may pay a deposit equal to or in excess of fifty dollars in two (2) equal installments. Interest will accrue only on deposits retained for longer than 30 days at the rate approved by the PUCT. The interest shall accrue from the date the deposit is received. Your initial deposit and any accrued interest will be credited to your account after 12 consecutive months of service if (1) you have had no late payments for 12 consecutive months, (2) your service was not disconnected for non-payment and (3) you are not delinquent in the payment of your current bill.

Refusal of Service: Ambit Energy may refuse to provide electric service to a Customer for one or more of the reasons specified in Section 25.477 of the PUCT rules and regulations (<http://www.puc.state.tx.us/rules/subrules/electric/25.477/25.477.pdf>).

Discrimination: Ambit Energy will not discriminate, deny service, or require prepayment or deposit for service based on race, creed, color, national origin, ancestry, sex, marital status, lawful source of income, level of income, disability, familial

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status, location in an economically distressed geographic area, or qualification for low-income or energy-efficiency services. Ambit Energy will not use a credit score, a credit history, or third-party utility-payment data as the basis for determining the price for electric service for a product with a contract term of twelve months or less.

Material Change: Ambit Energy will provide you with at least 14 calendar days' advance written notice of any change in the Terms of Service, either in your bill or in a separate mailing to your billing address. The change(s) will become effective on the date stated in the notice. In the event of an unfavorable change to this Agreement, you will have the option to cancel this Agreement without penalty or fee for 14 days from the date of notice. Your option to cancel will not be provided if the change favors you or is mandated by any applicable law or by any applicable rule or regulation of a regulatory agency or body, including the PUCT. Pricing changes made due to a change in law or regulation may be made without granting any right to cancel this Agreement without penalty. No notice will be sent of contractual changes that benefit the Customer.

Customer Information: By entering into this Agreement, you authorize your TDSP to release to Ambit Energy certain information that we need to provide you with service, including your address, phone number, account numbers and historical usage information.

Force Majeure: We will endeavor in a commercially reasonable manner to provide service, but we do not guarantee a continuous supply of electrical energy. Events that are out of our control ("*force majeure*" events) may result in interruptions in service. We will not be liable for any such interruptions. We do not generate your electricity nor do we transmit or deliver electricity to you. Therefore, you agree that we are not liable for damages caused by events of *force majeure*, including acts of God, acts of any governmental authority, including the Public Utility Commission of Texas, accidents, strikes, labor trouble, required maintenance work, inability to access the TDSP system, non-performance of the TDSP, changes in laws, rules, regulations, practices or procedures of any governmental

authority or the Electric Reliability Council of Texas, or any cause beyond our control.

Assignment: You may not assign this Agreement, in whole or in part, or any of its rights or obligations hereunder without the prior written consent of Ambit Energy. Ambit Energy may, without your consent (a) transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues or proceeds hereof in connection with any financing or other financial agreement; (b) transfer or assign this Agreement to an affiliate of Ambit Energy; (c) transfer or assign this Agreement to any person or entity succeeding to all or substantially all of the assets of Ambit Energy; and/or (d) transfer or assign this Agreement to a certified REP. In the case of (b), (c) or (d), any such assignee shall agree in writing to be bound by the terms and conditions hereof. Upon any such assignment, Customer agrees that Ambit Energy shall have no further obligations hereunder.

LIMITATIONS OF LIABILITY: LIABILITIES NOT EXCUSED BY REASON OF *FORCE MAJEURE* OR OTHERWISE SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES. NEITHER PARTY WILL BE LIABLE TO THE OTHER FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, SPECIAL, EXEMPLARY OR INDIRECT DAMAGES. LOST PROFITS OR PENALTIES OF ANY NATURE ARE HEREBY WAIVED; THESE LIMITATIONS APPLY WITHOUT REGARD TO THE CAUSE OF ANY LIABILITY OR DAMAGE, INCLUDING THE NEGLIGENCE OF AMBIT ENERGY. THERE ARE NO THIRD-PARTY BENEFICIARIES TO THIS AGREEMENT.

REPRESENTATIONS AND WARRANTIES: THE ELECTRICITY SOLD UNDER THIS AGREEMENT WILL MEET THE APPLICABLE TDSP'S STANDARDS AND MAY BE SUPPLIED FROM A VARIETY OF SOURCES. AMBIT ENERGY MAKES NO REPRESENTATIONS OR WARRANTIES OTHER THAN THOSE EXPRESSLY SET FORTH IN THIS AGREEMENT, AND AMBIT ENERGY EXPRESSLY DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

Governing Law: This Agreement shall be governed by and construed, enforced and performed in accordance with the laws of the State of Texas and venue shall be in Dallas County, Texas. The provisions of the Uniform Commercial Code ("*UCC*") shall apply to this Agreement, and electricity shall be a "good" for purposes of the UCC (<http://tlo2.tlc.state.tx.us/statutes/bc.toc.htm>).

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