

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934
(Amendment No. __)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, for Use of the Commission Only
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Ambassadors Group, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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(1) Amount Previously Paid:

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(3) Filing Party:

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**AMBASSADORS GROUP, INC.
Dwight D. Eisenhower Building
2001 South Flint Road
Spokane, Washington 99224**

April 13, 2010

To Our Stockholders:

You are cordially invited to attend the Annual Meeting of Stockholders (the "Annual Meeting") of Ambassadors Group, Inc. (the "Company"), which will be held at 9:00 a.m., local time, on May 13, 2010, at 2001 South Flint Road, Spokane, Washington 99224. All holders of the Company's outstanding common stock as of the close of business on March 29, 2010, are entitled to vote at the Annual Meeting. Enclosed is a copy of the Notice of Annual Meeting of Stockholders, Proxy Statement and Proxy.

Your vote is very important. Whether or not you plan to attend the Annual Meeting, please vote as soon as possible. In order to facilitate your voting, you may vote in person at the meeting, by sending in your written proxy, by telephone or by using the internet. Your vote by telephone, over the internet or by written proxy will ensure your representation at the Annual Meeting if you cannot attend in person. Please review the instructions on the proxy card regarding each of these voting options.

Thank you for your ongoing support and continued interest in Ambassadors Group, Inc.

Sincerely,

Kristi J. Gravelle
Secretary

**AMBASSADORS GROUP, INC.
Dwight D. Eisenhower Building
2001 South Flint Road
Spokane, Washington 99224**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held May 13, 2010**

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders (the "Annual Meeting") of Ambassadors Group, Inc., a Delaware corporation (the "Company"), will be held at 9:00 a.m., local time, on May 13, 2010, at 2001 South Flint Road, Spokane, Washington 99224, for the following purposes:

1. To elect two (2) Class I directors to hold office for a three-year term and until their respective successors are elected and qualified.
2. To ratify the selection of BDO Seidman, LLP as the Company's independent registered public accounting firm for the year ending December 31, 2010.
3. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on March 29, 2010, as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting and all adjourned meetings thereof.

By Order of the Board of Directors

Kristi J. Gravelle
Secretary

Dated: April 13, 2010

IMPORTANT: WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND MAIL IT PROMPTLY IN THE ENCLOSED ENVELOPE, OR YOU MAY VOTE BY TELEPHONE OR VIA THE INTERNET BY FOLLOWING THE DIRECTIONS ON THE PROXY CARD. ANY ONE OF THESE METHODS WILL ENSURE REPRESENTATION OF YOUR SHARES AT THE ANNUAL MEETING.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING TO BE HELD ON MAY 13, 2010: THIS NOTICE AND PROXY STATEMENT AND OUR 2009 ANNUAL REPORT ARE AVAILABLE AT <http://bnymellon.mobular.net/bnymellon/epax>.

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**AMBASSADORS GROUP, INC.
Dwight D. Eisenhower Building
2001 South Flint Road
Spokane, Washington 99224**

PROXY STATEMENT

GENERAL INFORMATION

This Proxy Statement is being furnished in connection with the solicitation of proxies by the Board of Directors of Ambassadors Group, Inc. (the "Company") for use at the Annual Meeting of Stockholders (the "Annual Meeting") to be held at 9:00 a.m., local time, on May 13, 2010, at 2001 South Flint Road, Spokane, Washington 99224, and at any adjournment thereof. If you plan to attend the Annual Meeting and vote in person and need directions, please call Julie Strugar at (509) 568-7800. You may direct your vote without attending the Annual Meeting by telephone, over the internet or by completing and mailing your proxy card or voting instruction card in the enclosed, postage pre-paid envelope. Please refer to the proxy card for instructions.

When such proxy is properly executed and returned, the shares it represents will be voted in accordance with any directions noted thereon. Any stockholder giving a proxy has the power to revoke it at any time before it is voted by written notice to the Secretary of the Company, by issuance of a subsequent proxy, by telephone, or by the internet as more fully described on your proxy card. In addition, a stockholder attending the Annual Meeting may revoke his or her proxy and vote in person if he or she desires to do so, but attendance at the Annual Meeting will not of itself revoke the proxy.

At the close of business on March 29, 2010, the record date for determining stockholders entitled to notice of and to vote at the Annual Meeting, the Company had issued and outstanding 19,307,138 shares of common stock, \$0.01 par value per share (the "Common Stock"). Each share of Common Stock entitles the holder of record thereof to one vote on any matter coming before the Annual Meeting. Only stockholders of record at the close of business on March 29, 2010, are entitled to notice of and to vote at the Annual Meeting or any adjournment thereof.

The enclosed Proxy, when properly executed and returned, also confers discretionary authority with respect to amendments or variations to the matters identified in the Notice of Annual Meeting and with respect to other matters that may be properly brought before the Annual Meeting. At the time of printing this Proxy Statement, management of the Company is not aware of any other matters to be presented for action at the Annual Meeting. If, however, other matters which are not now known to management should properly come before the Annual Meeting, the proxies hereby solicited will be exercised on such matters in accordance with the best judgment of the proxy holders. Abstentions and broker non-votes represented by submitted proxies will be included in the calculation of the number of the shares present at the Annual Meeting for the purposes of determining a quorum. "Broker non-votes" means shares held of record by a broker that are not voted because the broker has not received voting instructions from the beneficial owner of the shares and either lacks or declines to exercise the authority to vote the shares in its discretion.

Proposal One. Directors are elected by a plurality and the nominees who receive the most votes will be elected. Beginning with stockholder meetings held on or after January 1, 2010, Proposal One will be considered a "non routine" matter under Nasdaq Stock Market ("Nasdaq") rules and, accordingly, brokerage firms and nominees will not have the authority to vote their customers' unvoted shares on

Proposal One or to vote their customers' shares if the customers have not furnished voting instructions within a specified period of time prior to the Annual Meeting. Abstentions and broker non-votes will decrease the number of votes cast in director elections.

Proposal Two. To be approved, the ratification of BDO Seidman, LLP, as the Company's independent registered public accounting firm for the year ending December 31, 2010 must receive the affirmative vote of the majority of the shares of Common Stock present in person or by proxy at the Annual Meeting and entitled to vote. Proposal Two is considered a "routine" matter under Nasdaq rules and, accordingly, brokerage firms and nominees have the authority to vote their customers' unvoted shares on Proposal Two as well as to vote their customers' shares where the customers have not furnished voting instructions within a specified period of time prior to the Annual Meeting. Abstentions and broker non-votes will not affect the outcome of the vote on Proposal Two.

The Company will pay the expenses of soliciting proxies for the Annual Meeting, including the cost of preparing, assembling and mailing the proxy solicitation materials. Proxies may be solicited personally, by mail, by telephone or via the internet, by directors, officers and regular employees of the Company who will not be additionally compensated therefor. It is anticipated that this Proxy Statement and accompanying Proxy will be mailed on or about April 13, 2010, to all stockholders entitled to vote at the Annual Meeting.

The matters to be considered and acted upon at the Annual Meeting are referred to in the preceding notice and are more fully discussed below.

ELECTION OF DIRECTORS *(Proposal 1 of the Proxy Card)*

Nominees

The Company has a classified Board of Directors which is divided into three classes, consisting of three Class I Directors, three Class II Directors and three Class III Directors. At each annual meeting of stockholders, directors are elected for a term of three years to succeed those directors whose terms expire on that annual meeting date. The term of the three Class I Directors, Jeffrey D. Thomas, Richard D. C. Whilden and Ricardo Lopez Valencia, will expire at this year's Annual Meeting. The term of the three Class III Directors, Brigitte M. Bren, Daniel G. Byrne and Rafer L. Johnson, will expire at the Annual Meeting to be held in 2011. The term of the three Class II Directors, James M. Kalustian, John A. Ueberroth and Joseph J. Ueberroth, will expire at the Annual Meeting to be held in 2012.

At this year's Annual Meeting, two Class I Directors are to be elected. Richard D. C. Whilden will not stand for re-election and by resolution of the Board of Directors, pursuant to the Company's bylaws, the number of Class I Directors has been reduced from three to two effective May 13, 2010. The nominees for election at the Annual Meeting as Class I Directors are the incumbent directors, Jeffrey D. Thomas and Ricardo Lopez Valencia. The enclosed Proxy will be voted in favor of these individuals unless other instructions are given. Directors are elected by a plurality and the nominees who receive the most votes will be elected. If elected, the nominees will serve as directors until the Company's Annual Meeting in the year 2013, and until their successors are elected and qualified. If any nominee declines to serve or becomes unavailable for any reason, or if a vacancy occurs before the election (although management knows of no reason to anticipate that this will occur), the proxies may be voted for such substitute nominees as the Board of Directors may designate.

The table below sets forth for the current directors, including the Class I nominees to be elected at this meeting, certain information with respect to age and background.

NAME	POSITION WITH COMPANY	AGE	DIRECTOR SINCE
<i>Class I Directors, currently standing for election:</i>			
Jeffrey D. Thomas	Director, Chief Executive Officer and President	43	2001
Ricardo Lopez Valencia (2)(3)	Director	44	2007
<i>Class III Directors, whose term expires at the Annual Meeting to be held in 2011:</i>			
Brigitte M. Bren (1)	Director	44	2001
Daniel G. Byrne (1)	Director	55	2005
Rafer L. Johnson (1)	Director	75	2001

Class II Directors, whose term expires at the Annual Meeting to be held in 2012:

James M. Kalustian (2)(3)	Director	49	2006
John A. Ueberroth	Chairman of the Board	66	1997
Joseph J. Ueberroth (1)	Director	40	2001

- (1) Member of Audit Committee
- (2) Member of Compensation Committee
- (3) Member of Nominating Committee

Business Experience

Class I Directors

Jeffrey D. Thomas has served as chief executive officer, president and director of the Company since November 2001. Mr. Thomas also serves on the board of directors of the Company's wholly owned subsidiaries, Ambassador Programs, Inc., World Adventures Unlimited, Inc., and BookRags, Inc. He served as president of Ambassador Programs, Inc. from August 1996 through July 2002, and has served as chief executive officer since January 2000. For Ambassadors International, Inc., he served as a director from August 2001 through February 2002 and as chief financial officer between January 1996 and February 2002. From 1989 to 1995, Mr. Thomas held a variety of strategy and business development positions with Adia Personnel Services (now Adecco), Contrarian Group, Inc., and Corporate Decisions, Inc. Mr. Thomas currently serves on the board of directors of Inland Northwest Council for Boy Scouts of America and Scientific Learning (NASDAQ: SCIL). He also serves on the board of trustees of Greater Spokane Incorporated. Mr. Thomas previously served on the boards of SATO Travel, a travel agency that specializes in arranging travel tours and transportation for government and military members, and Off the Beaten Path LLC, an adventure travel company specializing in distinctive travel experiences for independent and small group travelers. Mr. Thomas was selected to serve as a member of our Board of Directors because he has extensive experience in executive level management and serves as a board member for several other companies. In addition, he has served as chief financial officer for six years and has fourteen years of tenure in the travel industry, which gives him a vast array of experiences to draw from

and uniquely qualifies him to lead the Company and serve on the Board of Directors. As chief executive officer and president, Mr. Thomas has consistently demonstrated an ability to exercise sound judgment and prudent management skills.

Ricardo Lopez Valencia has served as director of the Company since May of 2007. In July 2007, Mr. Valencia started ZAMAS Holdings, LLC, a privately owned company which includes a consulting business and a business incubator for entrepreneurial ventures and early stage companies. From 2001 to July 2007, Mr. Valencia was a senior executive for ING. He served as the vice president of Hispanic markets for ING Group. In 2003, he became senior vice president. He had strategic, fiscal and operational responsibility for the development of wealth accumulations strategies focused on diversity markets with specific focus in the African American, Asian American, Hispanic, women, LGBT and capabilities markets. Since returning to Arizona in 2007, Mr. Valencia was appointed by Arizona Governor Jan Brewer as Corporate Chair of the 2010 Border Governors Conference and to serve a term on the Arizona Mexico Commission to chair the strategic development committee. In 2008, Mr. Valencia was also appointed by Governor Janet Napolitano to serve on the Arizona State Charter School Board. Mr. Valencia also serves on the board of West Ed, a national nonprofit education research, development, and service agency. He serves on the board of the Children's Action Alliance, an Arizona based advocacy movement. Mr. Valencia has served on the boards of the National PTA, International Association of Marketing Students (DECA), the White House Millennium Youth Initiative and the U.S. Department of Education's Partnership for Family Involvement. Additionally he has served on the boards of the National 4-H, the National Future Farmers of America Foundation and the New York Hispanic Ballet. Prior to his role with ING, Mr. Valencia served as the Director of Education for USA Today, where he helped make K-12 outreach a major initiative for the nation's newspaper. He previously served as the executive director of the National Future Farmers of America Alumni Association. In 1983, he became the first Hispanic president of Arizona's Future Farmers of America. He also served as the Director of Professional Development for Career and Technical Education for the State of Arizona. Mr. Valencia was selected to serve as a member of our Board of Directors because of his attributes, skills and qualifications he has developed through 7 years as senior executive with a national investment and financial management company and 20 years as a senior executive with P and L responsibilities in a number of high profile corporations and organizations. This experience allows him to provide unique customer, sales and marketing, and community perspective to the Company. In addition, Mr. Valencia's senior executive experience provides leadership and business operations expertise to the Company. Mr. Valencia also serves on a number of company boards and government agencies focused on education, agriculture, arts, and non-profit initiatives, which compliment the Company's products and services. His strong and first hand knowledge of the student education market is a valuable asset to the Company. Furthermore, his active involvement in community and civic affairs represent an ethical character that we seek in our leaders and Company culture.

Class III Directors

Brigitte M. Bren has served as a director of the Company since November 2001. Since 1991, Ms. Bren has served as co-founder, president and chief executive officer of International Strategic Planning, Inc., an international business consulting firm specializing in advising U.S. companies expanding internationally. Ms. Bren served as a director of Ambassadors International, Inc., from February 2001 to November 2008. From 1999 to 2003, she served as of counsel to Arter & Hadden, LLP, in its Los Angeles office. From 1993 to 1995, Ms. Bren served as vice president of international marketing/sales and vice president of governmental affairs for Mark Goodson Productions. Ms. Bren was selected to serve as a member of our Board of Directors because of her comprehensive knowledge and understanding of international operations gained through advising U.S. companies on international expansion. She provides a distinctive international perspective to the products and services offered by the Company. In addition, Ms. Bren's broad expertise in law, business management, and international marketing and sales lends much support to overseeing the Company's business functions and objectives.

Daniel G. Byrne has served as a director of the Company since May 2005. Since 1983, Mr. Byrne has served as executive vice president-finance, chief financial officer and assistant secretary of Sterling Financial Corporation. He is also the assistant secretary of Golf Savings Bank. Before joining Sterling,

Mr. Byrne was employed by the accounting firm of Coopers & Lybrand in Spokane, Washington. He is a past lieutenant governor of Kiwanis International. Mr. Byrne is a past member of the Board of Trustees, its Executive Committee and the Finance Committee for Gonzaga Preparatory School. He is also president of the Board of Directors of Spokane Community Mental Health. He serves as a member of the American Institute of Certified Public Accountants, the Washington Society of Certified Public Accountants, the Financial Manager's Society and the American Community Bankers Association and its Accounting Committee. Mr. Byrne is a certified public accountant and graduated from Gonzaga University in 1977 with a bachelor's degree in Accounting. Mr. Byrne was selected to serve as a member of our Board of Directors because of his vast experience in the banking industry, his professional background and experience in business administration, accounting, operational management, and risk management. This experience lends much support to his leadership and oversight of the products and services offered by the Company. In addition, Mr. Byrne's guidance and expertise on accounting, financial and investment matters qualifies him well to perform the audit committee's oversight role and provides valuable insight to the Company's various business functions.

Rafer L. Johnson has served as a director of the Company since November 2001 and as a director of Ambassadors International, Inc. since 1995. Mr. Johnson is a world and Olympic record holder in the decathlon. Mr. Johnson devotes a substantial amount of his time to intellectually and physically disabled children and adults. He has been associated with California Special Olympics since its inception in 1969, served as the president of its board of directors for 11 years, and currently is chairman of its board of governors. He has been appointed to national and international foundations and presidential commissions, with a concentration on youth development. Mr. Johnson also is national head coach for Special Olympics International and a member of its board of directors. In addition, Mr. Johnson serves on a variety of special boards and committees in the worlds of sports and community services. In the early 1960s, Mr. Johnson became affiliated with the international peace movement of "People to People" and was instrumental in establishing chapters on college campuses nationwide. Mr. Johnson has spent many years before and after his Olympic triumph spreading the message of peace as an international ambassador of goodwill and in 1984 he received the distinctive honor of lighting the Olympic flame at the games in Los Angeles, California. Mr. Johnson was selected to serve as a member of our Board of Directors because he brings to the board over 40 years of diverse experience in the Special Olympics and athletic industry. His extensive understanding of these challenging aspects of this industry, together with his demonstrated leadership and management ability at senior levels, provides the Company with valuable industry-specific awareness and experience. In addition, Mr. Johnson's early leadership and development with the international peace movement of People to People provides him with an important perspective and oversight to the Company's core brand, foundations, youth and education development for the products and services offered by the Company. Mr. Johnson's service on other special boards and committees in the worlds of sports and community service adds a depth of knowledge and essential insight and his subsequent civic capacities are a valuable asset to the Company.

Class II Directors

James M. Kalustian has served as a director of the Company since May 2006. Mr. Kalustian also served as a director of Conance, Inc. from June 2007 to February 2009. Mr. Kalustian is co-founder and senior vice president of HRIInet, Inc., a healthcare technology and services company, where he manages network development, sales and marketing, and technology systems. Mr. Kalustian served as the vice president and general manager of Emerging Industries Business Unit of Fair Isaac Corporation ("Fair Isaac") from April 2007 to January 2009. From November 2004 to February 2007, Mr. Kalustian served as vice president of the Pharmaceutical and Healthcare Business Unit of Fair Isaac. He also has managed Fair Isaac's business strategy consulting practice. From May 1999 to October 2004, Mr. Kalustian led the healthcare practice, account management discipline, and served as chief operating officer and a member of the board of directors of Braun Consulting, Inc., a professional services firm delivering customer-focused business solutions to Fortune 1000 and middle market companies and offers business intelligence and CRM/ECRM technologies. Mr. Kalustian was a member of the executive management team that took Braun Consulting, Inc. public in 1999. From 1994 to 1999, he was also a co-founder of Vertex Partners, a customer-focused strategic consulting firm that joined Braun in 1999. Prior to founding Vertex Partners,

Mr. Kalustian served as a manager at the consulting firm of Corporate Decisions, Inc. (a division of Mercer Management Consulting), and in marketing positions for Raytheon Company, W.R. Grace & Company and Canada Dry. Mr. Kalustian was selected to serve as a member of our Board of Directors because of his leadership experience and accomplishments as a senior executive, his extensive business experience spanning 15 years in the healthcare, pharmaceutical, retail and consumer products industries. This experience makes him exceptionally qualified in overseeing the Company's business functions, objectives and short and long-term business strategies. In addition, Mr. Kalustian's business expertise, his board service, and leadership in several industry-leading companies provides meaningful perceptions to the products and services offered by the Company.

John A. Ueberroth has served as chairman of the board of the Company since November 2001. Mr. Ueberroth also serves on the board of directors of the Company's wholly owned subsidiaries, Ambassador Programs, Inc., World Adventures Unlimited, Inc., and BookRags, Inc. Mr. Ueberroth has also served as chairman and chief executive officer of Preferred Hotel Group, Inc., a company in which he is the principal shareholder, since 2004. He served as co-chairman, director, chief executive officer and president of Ambassadors International, Inc. from 1995 to June 2004. He has also been a member of the board of directors of Navigant International from October 2003 to September 2006. Since 1989, Mr. Ueberroth has been a principal of Contrarian Group, Inc., an investment and management company. From 1990 to 1993, he served as chairman and chief executive officer of Hawaiian Airlines. From 1980 to 1989, Mr. Ueberroth served as president of Carlson Travel Group. In addition, Mr. Ueberroth has served as chairman of the Travel Industry Association of America during 1986 and 1987, and president of the United States Tour Operators Association during 1987 and 1988. Mr. Ueberroth was selected to serve as a member of our Board of Directors because as a former chairman and chief executive officer of a major airline together with his senior executive positions with national travel and accommodations companies, he brings outstanding travel industry expertise, operational expertise and international expertise to the Company. We also believe that Mr. Ueberroth's substantial investment and management industry experience gained in part while serving as a former senior executive in the travel industry, as well as his affiliation with national travel associations, are important assets to the Company.

Joseph J. Ueberroth has served as a director of the Company since May 2004. He currently serves as president of Bellwether Financial Group, Inc., a position he has held since 1997. He also served as president, chief executive officer and director of Ambassadors International, Inc. from August 2001 to April 2009. His other involvements include chairman of Bellingham Marine, the world's most comprehensive marina builder, founder and chairman of BellPort Group, Inc., an international marina company, and as a general partner and managing member of CGI Opportunity Fund I and II, a venture capital operating company focused on early stage, high growth companies. Mr. Ueberroth also serves on the board of directors of Enwisen, Melones International, S.A. de C.V, Apache Produce Company and TerraNova Partners, LP. Mr. Ueberroth was selected to serve as a member of our Board of Directors because as a former executive in the travel industry during his tenure at Ambassadors International, Inc., Mr. Ueberroth gained significant knowledge of and insight into that industry. Coupled with his venture capital experience with high growth companies, his operational experience gives him an understanding of business and cultural practices which are important assets to the Company. In addition, as a current executive in the international marina industry and a managing member of a venture capital fund, Mr. Ueberroth has expertise that gives the Company a unique insight into mergers, acquisitions and disposition transactions.

Relationships Among Directors or Executive Officers

Joseph J. Ueberroth, a member of the Company's Board of Directors, is a nephew to John A. Ueberroth, the Company's chairman of the board. Jeffrey D. Thomas, the Company's chief executive officer, president and a member of the Company's Board of Directors, is married to Margaret M. Thomas, the Company's executive vice president, and president and chief operating officer of the Company's wholly owned subsidiary, Ambassador Programs, Inc. Other than these relationships, there are no family relationships among the directors or executive officers of the Company.

Meetings of the Board of Directors and Committees of the Board of Directors

During 2009, the Board of Directors met five times and acted by written consent one time. The Board of Directors has an Audit Committee, a Compensation Committee and a Nominating Committee. The members of each committee are selected by the majority vote of the Board of Directors. No director attended fewer than 75% of the aggregate number of meetings held by the Board of Directors and all committees on which such director served.

The Board of Directors has determined that each of the directors, except Jeffrey D. Thomas and John A. Ueberroth, is independent within the meaning of the rules and regulations of the Securities and Exchange Commission and the Nasdaq director independence standards (“Listing Standards”), as currently in effect. Furthermore, the Board of Directors has determined that each of the members of each of the committees of the Board of Directors is “independent” within the meaning of the rules and regulations of the Securities and Exchange Commission and the Nasdaq Listing Standards, as currently in effect.

Audit Committee

The Company has a separately designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Audit Committee makes recommendations for selection of the Company’s independent registered public accounting firm, reviews with the independent registered public accounting firm the plans and results of the audit engagement, approves professional services provided by the independent registered public accounting firm, reviews the independence of the independent registered public accounting firm, considers the range of audit and any non-audit fees, and reviews the financial statements of the Company and the adequacy of the Company’s internal accounting controls and financial management practices.

The Audit Committee consists of Daniel G. Byrne, chairman, Brigitte M. Bren, Rafer L. Johnson, and Joseph J. Ueberroth. The Board of Directors has determined that, based upon his prior work experience and his tenure and experience on the Company’s Audit Committee, Mr. Byrne qualifies as an “Audit Committee Financial Expert” as this term has been defined under the rules and regulations of the Securities and Exchange Commission.

There were eight meetings of the Audit Committee during the fiscal year ended December 31, 2009. See *Report of Audit Committee*. The charter of the Audit Committee is attached as Appendix A to the Proxy Statement.

Compensation Committee

The Compensation Committee is responsible for determining compensation for the Company’s executive officers, reviewing and approving executive compensation policies and practices, and providing advice and input to the Board of Directors in the administration of the Company’s 2009 Equity Participation Plan (the “Incentive Plan”). The Compensation Committee from time to time engages and consults with independent compensation consultant Watson Wyatt Worldwide (“Watson Wyatt”) in the performance of its duties. Watson Wyatt provides market data, historical compensation information, and advice regarding best practices in executive compensation and compensation trends for executive officers and directors. Watson Wyatt and Towers Perrin merged effective January 1, 2010 to become Towers Watson.

The Compensation Committee consists of Richard D. C. Whilden, chairman, James M. Kalustian and Ricardo Lopez Valencia.

In 2009, the Compensation Committee met five times and acted by written consent five times. See *Compensation Committee Report*.

Nominating Committee

The Nominating Committee evaluates nominations for new members of the Board of Directors. The Nominating Committee considers candidates based upon their business and financial experience, personal characteristics, expertise that is complementary to the background and experience of other Board of Directors members, willingness to devote the required amount of time to carrying out the duties and responsibilities of membership on the Board of Directors, willingness to objectively appraise management performance, and any such other qualifications the Nominating Committee deems necessary to ascertain the candidates' ability to serve on the Board of Directors. Although diversity may be a consideration in the nomination process, the Nominating Committee does not have a formal policy with regard to the consideration of diversity in identifying director nominees.

The Nominating Committee consists of Richard D. C. Whilden, chairman, James M. Kalustian, and Ricardo Lopez Valencia.

There were two meetings of the Nominating Committee during the fiscal year ended December 31, 2009. The charter of the Nominating Committee is attached as Appendix A to the Company's 2008 Proxy Statement filed with the Securities and Exchange Commission on April 8, 2008.

Director Nomination Process

The Nominating Committee will consider director candidates recommended by stockholders. Stockholders who wish to submit names of candidates for election to the Board of Directors must do so in writing. The recommendation should be sent to the following address: c/o Secretary, Ambassadors Group, Inc., Dwight D. Eisenhower Building, 2001 South Flint Road, Spokane, Washington 99224. The Company's secretary will, in turn, forward the recommendation to the Nominating Committee. The recommendation should include the following information:

- A statement that the writer is a stockholder and is proposing a candidate for consideration by the Nominating Committee;
- The name and contact information for the candidate;
- A statement of the candidate's occupation and background, including education and business experience;
- Information regarding each of the factors considered by the Nominating Committee, as listed above, sufficient to enable the committee to evaluate the candidate;
- A statement detailing (i) any relationship or understanding between the candidate and the Company, or any customer, supplier, competitor, or affiliate of the Company, and (ii) any relationship or understanding between the candidate and the stockholder proposing the candidate for consideration, or any affiliate of such stockholder; and
- A statement that the candidate is willing to be considered for nomination by the committee and willing to serve as a director if nominated and elected.

Stockholders must also comply with all requirements of the Company's bylaws, a copy of which is available from the Company's secretary upon written request, with respect to nomination of persons for election to the Board of Directors. The Company may also require any proposed nominee to furnish such other information as the Company or the committee may reasonably require to determine the eligibility of the nominee to serve as a director. In performing its evaluation and review, the committee generally does not differentiate between candidates proposed by stockholders and other proposed nominees, except that the committee may consider, as one of the factors in its evaluation of stockholder recommended candidates,

the size and duration of the interest of the recommending stockholder or stockholder group in the equity of the Company.

The Nominating Committee did not receive any stockholder recommendations for nomination to the Board of Directors in connection with this year's Annual Meeting. The nominees for election at the Annual Meeting as Class I Directors are the incumbent directors, Jeffrey D. Thomas and Ricardo Lopez Valencia. Stockholders wishing to submit nominations for next year's annual meeting of stockholders must notify the Company of their intent to do so on or before the date specified under "Stockholder Proposals—Other Stockholder Proposals and Director Nominations."

Board Leadership Structure and Role in Risk Oversight

The Board of Directors is responsible for risk oversight of the Company. Risks facing the Company include competitive, economic, operational, financial, accounting, liquidity, tax, regulatory, foreign dependencies, safety, work force, environmental, political and other risks. Risks are reported to the Board of Directors through the Company's executive officers, who are responsible for the identification, assessment and management of the Company's risks. The Board of Directors regularly discusses the risks reported by the Company's executive officers and reviews with management strategies and actions to mitigate the risks and the status and effectiveness of such strategies and actions.

The Board of Directors is structured, in part, to optimize its risk oversight capabilities, which is achieved primarily by separating the positions of principal executive officer and chairman of the board and delegating certain risk oversight functions to its committees. Although the Board of Directors does not have a formal policy with respect to its leadership structure, the Company believes that currently having a separate principal executive officer and chairman of the board achieves an appropriate balance with regard to Company performance and risk management. As a non-employee of the Company, the chairman of the board provides the Board of Directors with outside expertise and insight, which the Company views as important in overseeing the management of the Company's risks by its executive officers, including its principal executive officer.

Additionally, the committees of the Board of Directors are delegated with oversight responsibility for particular areas of risk. Specifically, the Audit Committee oversees management of risks related to accounting, auditing and financial reporting, and maintaining effective internal controls for financial reporting. The Nominating Committee oversees risks related to the effectiveness of the Board of Directors. The Compensation Committee oversees risks related to the Company's comprehensive compensation policies and practices.

Compensation Committee Interlocks, Insider Participation in Compensation Decisions and Certain Transactions

The Compensation Committee is composed of three non-employee directors, Richard D. C. Whilden, chairman, James M. Kalustian and Ricardo Lopez Valencia. No executive officer of the Company has served during 2009 or subsequently as a member of the board of directors or compensation committee of any entity, which has one or more executive officers who serve on the Company's Board of Directors, or the Compensation Committee. During fiscal 2009, no member of the Company's Compensation Committee had any relationship or transaction with the Company required to be disclosed pursuant to Item 404 of Regulation S-K under the Exchange Act.

The Board of Directors unanimously recommends that you vote FOR the election of each of Jeffrey D. Thomas and Ricardo Lopez Valencia as Class I Directors of the Company. Holders of proxies solicited by this Proxy Statement will vote the proxies received by them as directed on the Proxy or, if no direction is made, for each of the above-named nominees. The election of directors requires a plurality of the votes cast by the holders of the Company's Common Stock present and voting at the Annual Meeting.

**RATIFICATION OF SELECTION OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
(Proposal 2 of the Proxy Card)**

The Audit Committee of the Board of Directors has selected BDO Seidman, LLP (“BDO”) to serve as the Company’s independent registered public accounting firm for the year ending December 31, 2010, and the Board of Directors recommends that the stockholders ratify such appointment at the Annual Meeting.

BDO has no financial interest in the Company and neither it nor any member or employee of the firm has had any connection with the Company in the capacity of promoter, underwriter, voting trustee, director, officer or employee. The Delaware General Corporation Law does not require the ratification of the selection of registered public accounting firm by the Company’s stockholders, but in view of the importance of the financial statements to the stockholders, the Board of Directors deems it advisable that the stockholders pass upon such selection. A representative of BDO will be present at this year’s Annual Meeting of Stockholders. The representative will have the opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions.

In the event the stockholders fail to ratify the selection of BDO, the Audit Committee will reconsider whether or not to retain the firm. Even if the selection is ratified, the Audit Committee and the Board of Directors in their discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if they determine that such a change would be in the best interests of the Company and its stockholders.

The Board of Directors unanimously recommends that you vote FOR this proposal (Proposal 2 on the Proxy) to ratify the selection of the independent registered public accounting firm. Holders of proxies solicited by this Proxy Statement will vote the proxies received by them as directed on the Proxy or, if no direction is made, in favor of this proposal. In order to be adopted, this proposal must be approved by the affirmative vote of the holders of a majority of the shares of Common Stock present and voting at the Annual Meeting.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Independent Registered Public Accounting Firm Fees

The following table represents fees charged for professional audit services rendered by BDO for the audit of the Company's financial statements for the years ended December 31, 2009 and 2008, and fees billed by BDO for other services during those years.

	<u>2009</u>	<u>2008</u>
Audit Fees	\$ 335,000	\$ 351,000
Audit - Related Fees	15,000	17,000
Tax Fees	—	—
All Other Fees	—	—
Total	<u>\$ 350,000</u>	<u>\$ 368,000</u>

Audit Fees consist of fees billed for professional services rendered for the integrated audit of the Company's consolidated financial statements and the review of the Company's interim consolidated financial statements included in quarterly reports and services that are normally provided by BDO in connection with statutory and regulatory filings or engagements.

Audit-Related Fees consist of fees billed for assurance and related services, primarily related to the audit of the Company's employee benefit plan financial statements, and are not reported under "Audit Fees."

Audit Committee's Pre-Approval Policy

During 2009, the Audit Committee of the Board of Directors operated under policies and procedures pre-approving all audit and non-audit services provided by the independent registered public accounting firm and prohibiting certain services from being provided by the independent registered public accounting firm. The Company may not engage its independent registered public accounting firm to render any audit or non-audit service unless the service is approved in advance by the Audit Committee or the engagement to render the service is entered into pursuant to the Audit Committee's pre-approval policies and procedures.

On an annual basis, the Audit Committee may pre-approve services that are expected to be provided to the Company by the independent registered public accounting firm during the fiscal year. At the time such pre-approval is granted, the Audit Committee specifies the pre-approved services and establishes a monetary limit with respect to each particular pre-approved service, which limit may not be exceeded without obtaining further pre-approval under the policy. For any pre-approval, the Audit Committee considers whether such services are consistent with the rules of the Securities and Exchange Commission on auditor independence.

If the cost of any service exceeds the pre-approved monetary limit, such service must be approved by the Audit Committee. The Audit Committee has delegated authority to the chairman of the Audit Committee to pre-approve any audit or non-audit services to be provided to the Company by the independent registered public accounting firm for which the cost is less than \$20,000 per quarter. The chairman must report any pre-approval pursuant to the delegation of authority to the Audit Committee at its next scheduled meeting.

Independence

The Audit Committee has considered whether BDO's provision of services other than its audit of the Company's annual financial statement and its review of the Company's quarterly financial statements is compatible with maintaining such independent registered public accounting firm's independence and has determined that it is compatible.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

Compensation Discussion and Analysis

Overview

This Compensation Discussion and Analysis describes the Company's compensation philosophy, objectives, and processes, including the methodology for determining executive compensation for the "Named Executive Officers," as defined under the section entitled "Compensation of Executive Officers and Directors—Summary Compensation Table." Please also refer to the more detailed compensation disclosures beginning with and following the "Summary Compensation Table" contained in this Proxy Statement.

Overview of Compensation Philosophy and Guiding Principles

The Company recognizes and values the critical role that executive leadership plays in its performance. The Company's executive compensation philosophy is intended to ensure that executive compensation is aligned with its business strategy, objectives and stockholder interests, and is designed to attract, motivate and retain highly qualified and key executives and employees. The Company's executive compensation philosophy is designed to pay conservatively competitive total compensation based on continuous improvements in corporate performance, and individual and team contributions that are aligned with stated business strategies and objectives. To implement its philosophy, the Company sets base compensation at competitive levels relative to executives holding positions with similar responsibilities at comparable companies and focuses heavily on performance-based incentives to motivate and encourage employees to achieve superior results for the Company and its stockholders. Compensation elements generally consist of a base salary, an annual cash award and for key employees and executives, long-term equity compensation.

Role of the Compensation Committee

The Company's Board of Directors appoints members to the Compensation Committee to assist in recommending, managing and reviewing executive compensation for the Named Executive Officers. The Compensation Committee reviews and approves salaries, annual awards, long-term incentive compensation, benefits, and other compensation in order to ensure that the Company's executive compensation strategy and principles are aligned with its business strategy, objectives and stockholder interests. The Compensation Committee meets quarterly prior to the quarterly meeting of the Board of Directors. Each member of the Compensation Committee is independent within the meaning of the rules and regulations of the Securities and Exchange Commission and the Nasdaq Listing Standards, as currently in effect. Further, the Board of Directors has determined that each member of the Compensation Committee is an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code (the "Code").

For the past several years, the Compensation Committee has engaged Watson Wyatt to act as the executive compensation consultant for the Company. The Compensation Committee maintains the sole authority to enter or terminate the relationship with an independent compensation consultant such as Watson Wyatt. The Compensation Committee engaged Watson Wyatt to assist in the executive compensation process by providing competitive compensation information from peer-group companies and from published surveys for a company with comparable revenues.

Executive Compensation Methodology

The Compensation Committee takes into account various qualitative and quantitative indicators of corporate and individual performance in determining the level and composition of compensation to be paid to the Named Executive Officers. The Compensation Committee considers such corporate performance measures as net income, earnings per share, cash flow, operational excellence, growth and enrollments, and may vary its quantitative measurements from employee to employee, and from year to year. The Compensation Committee also appreciates the importance of achievements that may be difficult to quantify, and accordingly recognizes qualitative factors such as superior individual performance, new responsibilities or positions within the Company, leadership ability and overall management contributions to the Company. The Company's chief executive officer consults with the Compensation Committee and provides recommendations with respect to the compensation of other Named Executive Officers. The Compensation Committee determines the compensation of the chief executive officer in its executive sessions. Watson Wyatt assists the Compensation Committee in aligning the Company's practices with the marketplace for talent, internal equity and performance requirements unique to the Company.

In general, the process by which the Compensation Committee makes decisions relating to executive compensation includes, but is not limited to, consideration of the following factors:

- The Company's executive compensation philosophy and practices
- The Company's performance relative to peers and industry standards
- Success in attaining annual and long-term goals and objectives
- Alignment of executive interests with stockholder interests through equity-based awards and performance-based compensation
- Individual and team contributions, performance and experience
- Total compensation and the mix of compensation elements for each Named Executive Officer
- Competitive market practices

The Compensation Committee assesses the competitive market of each component of the executives' compensation and in the aggregate. Based upon these competitive reference points the Compensation Committee establishes base salary ranges and target short-term and long-term incentive amounts. The Compensation Committee then considers each individual's experience and performance in determining base salary levels and determines the required performance for short and long-term target incentives.

In implementing the Company's compensation program, the Compensation Committee seeks to achieve a balance between compensation and the Company's annual and long-term budgets and business objectives, encourage executive performance in furtherance of stated Company goals, provide variable compensation based on the performance of the Company, create a stake in the executive officer's efforts by encouraging stock ownership in the Company, and align executive remuneration with the long-term interests of the Company's stockholders.

In 2008, Watson Wyatt assisted the Compensation Committee in identifying executives holding comparable positions found in published surveys and proxy data sources reflecting industry practices of similar organizations. This data was considered in the 2009 compensation decision-making process. Published survey data selection for comparable executive positions was based primarily on annual revenues. The surveys used included:

- **2007/08 Watson Wyatt Top Management Compensation Report.** This survey consists of executive compensation data from 1,375 organizations in 77 industries across the United States.
- **2007/08 Mercer Executive Benchmark Database.** This survey covers 173 positions as reported by 2,450 organizations located in the United States.

In addition to considering survey data, Watson Wyatt performed a proxy analysis in 2008 of 20 peer companies. The Compensation Committee and management determined the criteria for peer company selection that included non-financial, profitable, companies with non-founder chief executive officers with

sales between \$200 million and \$450 million, market capitalizations between \$300 million and \$1 billion, and chief executive officers with over one year of tenure. The following companies were included in the peer group comparison:

- B&G Foods Inc
- Medical Action Industries
- Foster (Lb) Co
- Argon St Inc
- Lindsay Corp
- K-Sea Transportation
- Blue Nile Inc
- Inter Parfums Inc
- Skillsoft Plc
- Raven Industries Inc
- Park Electrochemical Corp
- Prepaid Legal Services Inc
- Medicines Co
- K-Swiss Inc
- Synaptics Inc
- Cognex Corp
- National Presto Inds Inc
- Wd-40 Co
- Martek Biosciences Corp
- Epiq Systems Inc

The survey data and proxy data utilized by the Compensation Committee generally includes:

- base salary,
- annual incentive award,
- total cash compensation,
- pay adjustment trends,
- long-term incentives, and
- retirement and capital accumulation,
- benefits and perquisites, and
- equity ownership.

In 2009, Watson Wyatt provided assistance in drafting the compensation, discussion and analysis section of the 2009 Proxy and limited advice associated with total compensation packages for the current executive team and new key positions hired during the year. The total associated fees paid for these services were approximately \$39,000.

Executive Compensation Program Elements

The Compensation Committee annually reviews the Company's compensation program to ensure that pay levels and incentive opportunities are competitive with the market and reflect the performance of the Company. Watson Wyatt performed an executive compensation survey for 2009, which found salaries in aggregate to be 38% below median competitive values and annual incentive value to be 10% above median competitive values for the Named Executive Officers. In August 2008, based upon Watson Wyatt research and their recommendations, which were built around the position, responsibilities, experience and performance of the Named Executive Officers, the Compensation Committee approved increases in base salary to \$525,000, \$341,000, and \$210,000 for Mr. Thomas, Mrs. Thomas, and Mr. Byrd, respectively. However, based upon economic conditions and the outlook for 2009, management and the Compensation Committee determined that it was not the appropriate time to implement the Watson Wyatt market and performance based recommendations. In addition to foregoing a salary increase, the Named Executive Officers agreed to reduce their maximum annual incentive award for 2009 by approximately 50-65% from 2008 levels. The Compensation Committee established targets for annual incentive awards and equity based compensation based on a percentage of base salary for 2009. The particular elements of the compensation program for the Named Executive Officers consist of the following:

Base Salary. Base salary is set to attract and retain executive talent taking into consideration competitive market conditions with respect to comparable companies. Base salaries for the Named Executive Officers are established at levels considered appropriate in light of the duties and scope of responsibilities of each executive officer's position, and the experience the individual brings to the position. Salaries are reviewed periodically and adjusted as warranted. Factors that are considered in this review of executive officers base salary include, but are not limited to, sustained individual performance and long-term business growth and development. Base salaries are managed within a competitive range for each position, reflecting both job performance and market forces. Jeffrey D. Thomas' salary has not changed

since 2004, and Margaret M. Thomas' salary has not changed since 2007. On November 1, 2009, Chadwick J. Byrd resigned as chief financial officer of the Company, and effective that same date, Kristi J. Gravelle was appointed to serve as the interim chief financial officer. Chadwick Byrd's salary had not changed since 2008.

Annual Incentive Awards. Annual incentive awards are designed to focus the Company's Named Executive Officers on annual operating achievement by compensating individuals based on achievement of specific goals related to Company performance and long-term stockholder value. Named Executive Officers are eligible for an annual incentive award, calculated by the Compensation Committee as a percentage of the executive officer's base salary. For 2009, the maximum award for Named Executive Officers ranged from 12.5% to 75% of base annual salary, depending on the executive officer's position. For 2009, Mr. Thomas received an award of \$164,510 (41%), Mrs. Thomas received an award of \$65,784 (30%), Mr. Byrd received no award, and Mrs. Gravelle received an award of \$8,242 (6%).

The Company pays annual incentive awards to its Named Executive Officers based upon the achievement of pre-established targets that are indicative of the Company's performance, as well as individual performance milestones to the extent they are met by the executive officer.

The pre-established targets and individual performance milestones for 2009 for each Named Executive Officer were approved by the Compensation Committee in August 2008. In February 2010, the Compensation Committee reviewed actual performance during 2009 against the pre-established targets and individual milestones. A summary of the results of the Compensation Committee's review is set forth below:

Jeffrey D. Thomas. Mr. Thomas was eligible for a maximum incentive award of \$300,000. The Compensation Committee awarded Mr. Thomas an incentive award of \$164,510 based upon an evaluation of the following performance milestones: 1) Earnings per Share; 2) Enrolled Revenue; 3) Gross Margin; and 4) Operational Excellence. The Compensation Committee assessed performance relative to each component as follows:

Earnings per Share: \$5,250 will be payable for every \$0.01 that the Company's earnings per share exceeds \$0.80 per share, up to \$1.00 per share. The Company's earnings per share for 2009 was \$1.05. The Compensation Committee determined that Mr. Thomas exceeded outstanding expectations in achieving this milestone and awarded him \$105,000.

Enrolled Revenue: \$1,500 will be payable for every \$1.0 million that the Company's gross enrolled revenue for 2010 programs on October 15, 2009 exceeded \$150.0 million, up to \$200.0 million. The Compensation Committee determined that no payment would be made toward Mr. Thomas's annual incentive award with regard to this milestone.

Gross Margin: \$2,500 will be payable for every \$1.0 million that the Company's gross margin exceeds \$60.0 million, up to \$90.0 million. The Compensation Committee determined that Mr. Thomas exceeded expectations in achieving this milestone and awarded him \$59,510.

Operational Excellence: \$563 will be payable for every one day that the Company's operational excellence exceeds 100 days, up to 180 days. Days of operational excellence measure safety, customer operations, and customer communication across 18 measurements, all of which must be met at an excellent level to count as one day of operational excellence. The Compensation Committee determined that no payment would be made toward Mr. Thomas's annual incentive award with regard to this milestone.

Margaret M. Thomas. Mrs. Thomas was eligible for a maximum incentive award of \$132,000. The Compensation Committee awarded Mrs. Thomas an incentive award of \$65,784 based upon an evaluation of the following performance milestones: 1) Earnings per Share; 2) Enrolled Revenue; 3) Gross Margin; and 4) Operational Excellence. The Compensation Committee assessed performance relative to each component as follows:

Earnings per Share: \$1,980 will be payable for every \$0.01 that the Company's earnings per share exceeds \$0.80 per share, up to \$1.00 per share. The Company's earnings per share for 2009 was \$1.05. The Compensation Committee determined that Mrs. Thomas exceeded outstanding expectations in achieving this milestone and awarded her \$39,600.

Enrolled Revenue: \$660 will be payable for every \$1.0 million that the Company's gross enrolled revenue for 2010 programs on October 15, 2009 exceeds \$150.0 million, up to \$200.0 million. The Compensation Committee determined that no payment would be made toward Mrs. Thomas's annual incentive award with regard to this milestone.

Gross Margin: \$1,100 will be payable for every \$1.0 million that the Company's gross margin exceeds \$60.0 million, up to \$90.0 million. The Compensation Committee determined that Mrs. Thomas exceeded expectations in achieving this milestone and awarded her \$26,184.

Operational Excellence: \$330 will be payable for every one day that the Company's operational excellence exceeds 100 days, up to 180 days. Days of operational excellence measure safety, customer operations, and customer communication across 18 measurements, all of which must be met at an excellent level to count as one day of operational excellence. The Compensation Committee determined that no payment would be made toward Mrs. Thomas's annual incentive award with regard to this milestone.

Chadwick J. Byrd. Mr. Byrd was eligible for a maximum incentive award of \$84,000. Since Chadwick Byrd's employment terminated with the Company on November 1, 2009, he was not eligible to receive any incentive award for 2009.

Kristi J. Gravelle. Mrs. Gravelle was eligible for a maximum incentive award of \$15,750. The Compensation Committee awarded Mrs. Gravelle an incentive award of \$8,242 based upon an evaluation of the following performance milestones: 1) Delegates Traveled; 2) New Net Income Opportunities; 3) Operational Excellence; and 4) Collections Improvement. The Compensation Committee assessed performance relative to each component as follows:

Delegates Traveled: \$1,182 will be payable for every 1,000 delegates that the Company travels in excess of 34,000 travelers. The Company traveled 34,248 delegates in 2009. The Compensation Committee determined that Mrs. Gravelle met expectations in achieving this milestone and awarded her \$426.

New Net Income Opportunities: \$2,127 will be payable for every \$100,000 that the Company contributes to new net income opportunities in 2009 in excess of \$750,000, up to \$1.2 million. New net income opportunities include new tax, cash flow, and payment strategies. The Compensation Committee determined that no payment would be made toward Mrs. Gravelle's annual incentive award with regard to this milestone.

Operational Excellence: \$84 will be payable for every one day that the Company's operational excellence exceeds 30 days, up to 75 days, measured on a quarterly basis. Days of operational excellence measure safety, customer operations, and customer communication across 18 measurements, all of which must be met at an excellent level to count as one day of operational excellence. The Compensation Committee determined that Mrs. Gravelle met expectations for one quarter in achieving this milestone and awarded her \$4,270.

Collection Improvement: \$1,266 will be payable for every one percent improvement to outstanding receivables collected 60 days prior to travel in excess of sixty-six percent. The Company collected at a rate of seventy-two percent for outstanding receivables collected 60 days prior to travel. The Compensation Committee determined that Mrs. Gravelle exceeded expectations in achieving this milestone and awarded her \$3,546.

Information regarding the annual incentive compensation for 2009 awarded to each of the Named Executive Officers is shown in the “Non-Equity Incentive Plan Information” column of the “Summary Compensation Table” and the “Estimated Future Payouts Under Non-Equity Incentive Plan Awards” column of the “Grants of Plan-Based Awards Table”.

The pre-established targets and individual performance milestones for 2010 for each Named Executive Officer were approved by the Compensation Committee in February 2010. A summary of the results of the Compensation Committee’s review is set forth below:

2010 Incentive Plan. Mr. Thomas will be eligible for a target incentive award of \$300,000 and a maximum incentive award of \$600,000. Mrs. Thomas will be eligible for a target incentive award of \$180,000 and a maximum incentive award of \$360,000. Mrs. Gravelle will be eligible for a target incentive award of \$84,000 and a maximum incentive award of \$168,000. The Compensation Committee will determine the amount of the incentive based award upon an evaluation of the following three performance milestones: 1) Earnings per Share 2) Combined Achievement of 2010 Net Income before tax and 2011 Enrolled Revenue, and 3) Operational Excellence. The Compensation Committee will assess performance relative to each component for 2010 as follows:

Earnings per Share: \$6,000, and \$1,680 will be payable for every \$0.01 that the Company’s earnings per share exceeds \$0.60 per share, up to \$0.80 per share, for Mr. Thomas, and Mrs. Gravelle, respectively.

Combined Achievement of 2010 Net Income before tax and 2011 Enrolled Revenue: \$32,000, \$19,200, and \$8,960 will be payable for every one percent of enrolled revenue growth that the Company achieves in excess of \$159.5 million, up to \$196.5 million and every \$0.3 million in income before tax in excess of \$21.8 million, up to \$26.0 million for Mr. Thomas, Mrs. Thomas, and Mrs. Gravelle, respectively. This incentive award is contingent upon the Company achieving a minimum income before tax of \$21.8 million.

Operational Excellence: \$720 will be payable for every one day that the Company’s operational excellence exceeds 125 days, up to 225 days for Mrs. Thomas. Days of operational excellence measure safety, customer operations, and customer communication across 14 measurements, all of which must be met at an excellent level to count as one day of operational excellence.

Long-Term Incentive Compensation/Equity-Based Awards. The Company’s long-term incentive program is designed to retain the Named Executive Officers and to align the interests of the Named Executive Officers with the interests of the Company’s stockholders. The Company’s long-term incentive program consists of periodic grants of stock options and restricted stock, which are made at the discretion of the Compensation Committee under the Incentive Plan. Decisions made by the Compensation Committee regarding the amount of the grant and other discretionary aspects of the grant take into consideration Company performance, individual performance and experience, contributions to the Company’s development, competitive forces to attract and retain senior management, and the nature and terms of grants made in prior years. The Compensation Committee considers the compensation data provided by Watson Wyatt, which sets forth median annualized long-term incentive values, the objectives of the long-term incentives, the availability of shares and the perceived value of the available instruments. A combination of stock options and time-based restricted stock were granted to the Named Executive Officers in 2009 to achieve the objectives of the Company’s long-term incentive program. Stock options create incentive for increasing the Company’s stock price by aligning executives’ interests with the shareholders’ interests. Time based restricted stock that have cliff vesting and pay dividends provide significant retention value even with fluctuations in the equity market.

Under the Incentive Plan, in addition to options and restricted stock, the Compensation Committee may also grant, in its discretion, stock appreciation rights and may make other awards.

The Compensation Committee typically grants awards to the Named Executive Officers under the Incentive Plan at its fourth-quarter meeting held each year. Except in very limited circumstances, the

Compensation Committee does not grant equity awards to Named Executive Officers at other times during the year. All equity awards are made at fair market value on the date of grant, which is the date on which the Compensation Committee authorizes the grant. Under the Incentive Plan, fair market value is determined by the closing price of the Company's Common Stock on the date of grant.

In November 2009, stock options and time-based restricted stock were granted to the Named Executive Officers. The Compensation Committee approves each executive's grant based on a target value for stock awards expressed as a multiple of base salary. Approximately half of this value is allocated to stock options and half to restricted stock. The target dollar value associated with stock options is divided by the estimated present value per share to determine the number of option shares to be awarded. The target dollar value associated with restricted stock is divided by the estimated fair market value per share at the time of grant to determine the number of shares of restricted stock to be awarded.

Benefits and Perquisites. Benefits and perquisites are designed to attract and retain key employees in light of competitive market conditions. Currently, the Named Executive Officers are eligible to participate in benefit plans available to all employees including our 401(k) Plan and the Incentive Plan. Other benefits and perquisites are limited and are provided at the discretion of the Compensation Committee. These benefits include medical and dental health insurance plans, life, and long-term disability insurance plan benefits. The 401(k) Plan and the medical and dental plans require each participant to pay a contributory amount. The Company provides a matching contribution to its 401(k) Plan, that is discretionary, for participating employees, including the Named Executive Officers. Employee individual plan contributions are subject to the maximum contribution allowed by the Internal Revenue Service. Under the Company's long-term disability insurance plan, the Company pays insurance premiums of up to \$50,000. The Company also supports and encourages Named Executive Officers to hold memberships at local country clubs, for which the Company pays business-related expenses. These memberships are deemed to provide business value to the Company because they provide a place for executives to continue to interact with other business associates in order to develop strategic alliances and/or business opportunities during non-business hours. The Company requires that any personal use of country club facilities for exercise or food be paid directly by the Named Executive Officer. Although the benefits and perquisites are considered when determining the overall compensation of the Named Executive Officers, the amounts involved are not deemed to be so material as to significantly impact the other types of compensation provided to them.

Severance Benefits.

Jeffrey D. Thomas. On September 27, 2006, the Company entered into an employment agreement with Jeffrey D. Thomas, which provides for certain severance benefits upon: (i) a termination of his employment by the Company for cause or by Mr. Thomas without good reason; (ii) termination of his employment by the Company without cause or by Mr. Thomas with good reason; (iii) termination of his employment by the Company without cause or by Mr. Thomas with good reason in connection with a change in control; and (iv) his death or permanent disability. The Company designed Mr. Thomas' severance package to be commensurate with the marketplace and set payout amounts at levels it deemed appropriate to retain the services of Mr. Thomas in light of his significant personal knowledge, significant business experience, established track record in this business sector, and his contacts in the travel industry. The terms of Mr. Thomas' severance benefits are summarized below under the heading "Employment Contracts, Termination of Employment and Change in Control Arrangements." The Company has not entered into employment agreements with any other Named Executive Officer.

Chadwick J. Byrd. On November 1, 2009, Mr. Byrd resigned as the Company's chief financial officer. Upon resignation, Mr. Byrd was entitled to certain severance benefits. In connection with Mr. Byrd's departure from the Company and in addition to the payments provided, Mr. Byrd's outstanding equity awards immediately vested. He was eligible to exercise these awards under the terms of the Company's standard policy.

Total Compensation Mix

The Compensation Committee believes that the elements described above provide a well-proportioned mix of security-oriented compensation, at-risk or performance-based compensation, and retention-based compensation that produces short-term and long-term incentives and rewards. The Company believes this compensation mix provides the Named Executive Officers a measure of security as to the minimum levels of compensation they are eligible to receive, while motivating the Named Executive Officers to focus on the business measures that will produce a high level of performance for the Company, as well as reducing the risk of recruitment of highly qualified executive talent by our competitors. The mix of annual incentives and equity-based awards likewise provides an appropriate balance between short-term financial performance and long-term financial and stock performance. The Company believes that its compensation mix results in a pay-for-performance orientation that is aligned with its compensation philosophy to pay median pay for median performance and above-market pay for superior performance.

Impact of Accounting and Tax on the Form of Compensation

The Compensation Committee considers applicable tax, securities laws and accounting regulation in structuring and modifying its compensation arrangements and employee benefit plans. The Compensation Committee has considered the impact of the generally accepted accounting principles (“GAAP”) on the Company’s use of equity-based awards. This consideration factored heavily in the Company’s decision with respect to restricted stock and stock options grants made in 2007, 2008 and 2009, limiting the total equity-based awards granted to non-executives. The Compensation Committee also considers the limits on deductibility of compensation imposed by Section 162(m) of the Code with respect to annual compensation exceeding \$1.0 million and Section 280(b) of the Code with respect to change in control payments exceeding specified limits.

Compensation Policies and Practices As They Relate to the Company’s Risk Management

The Company believes that its compensation policies and practices for all employees, including executive officers, do not create risks that are reasonably likely to have a material adverse effect on the Company.

Executive Officers

Jeffrey D. Thomas, age 43, has served as chief executive officer and president of the Company since November 2001. He has served as president of Ambassador Programs, Inc., a wholly owned subsidiary of the Company, from August 1996 through July 2002, and chief executive officer since January 2000. For Ambassadors International, Inc., he served as chief financial officer between January 1996 and February 2002. From 1989 to 1995, Mr. Thomas held a variety of strategy and business development positions with Adia Personnel Services (now Adecco), Contrarian Group, Inc., and Corporate Decisions, Inc.

Margaret M. Thomas, age 43, has served as executive vice president of the Company since November 2001. She served as chief financial officer and secretary of the Company from November 2001 through October 2003. She has also served as president of Ambassador Programs, Inc., since August 2002, chief operating officer of Ambassador Programs, Inc., since January 2002, and chief financial officer of Ambassador Programs, Inc., from November 1997 through April 2003. Mrs. Thomas served as treasurer of Ambassadors International, Inc., from February 1999 through February 2002. From 1988 to 1995, Mrs. Thomas was in public accounting and employed by Ernst & Young LLP and PricewaterhouseCoopers LLP, and also was the financial reporting officer for Physio-Control Corporation.

Chadwick J. Byrd, age 37, served as chief financial officer and secretary of the Company from July 2005 through October 2009. Mr. Byrd served as chief group controller of Fred Olsen Energy ASA (“Fred Olsen”) in Oslo, Norway beginning in 2004. He also served as corporate controller and financial controller of Fred Olsen between 1999 and 2003. Headquartered in Oslo, Norway, Fred Olsen provides international

exploration and production services to the offshore oil and gas industry. Before joining Fred Olsen, Mr. Byrd was in public accounting employed by KPMG between 1995 and 1999.

Kristi J. Gravelle, age 42, has served as interim chief financial officer and secretary of the Company since November 2009. Mrs. Gravelle most recently served as controller for the Company beginning in September 2007. Prior to this time, Mrs. Gravelle was an independent financial consultant in Denver, Colorado to publicly held and private companies from January 2003 through August 2007. From May 2001 to January 2003, Mrs. Gravelle held a controllership position at AIMCO, a real-estate investment trust in Denver, Colorado. Previously, Mrs. Gravelle held controllership positions specializing in supply chain management at retail companies, including Bi-Lo Stores, a division of AHOLD, Inc, Babies-R-U's, a division of Toys-R-U's, Inc. and One Price Clothing Stores, Inc. in Greenville, South Carolina between 1992 and April 2001.

Summary Compensation Table

The following table sets forth the compensation for the principal executive officer, the principal financial officer, and the Company's only other executive officer serving on December 31, 2009 whose individual remuneration exceeded \$100,000 for the fiscal year ended December 31, 2009, 2008 and 2007 (the "Named Executive Officers"):

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards ¹ (\$)	Option Awards ² (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation ^{3,4,5} (\$)	Total (\$)
Jeffrey D. Thomas, Chief Executive Officer and President	2009	400,000	—	553,840	597,740	164,510	—	9,647	1,725,737
	2008	400,000	—	265,591	268,125	—	—	17,409	951,125
	2007	400,000	—	667,290	754,460	880,000	—	16,691	2,718,441
Margaret M. Thomas, Executive Vice President	2009	220,000	—	170,498	184,094	65,784	—	7,369	647,745
	2008	220,000	—	109,361	110,825	—	—	13,351	453,537
	2007	220,000	—	71,862	79,884	394,400	—	12,944	779,090
Chadwick J. Byrd, Chief Financial Officer and Secretary	2009	127,934	—	—	—	—	—	285,802	413,736
	2008	168,000	—	40,436	40,950	91,000	—	9,732	350,118
	2007	155,000	—	80,912	29,798	118,000	—	10,361	394,071
Kristi J. Gravelle, Chief Financial Officer and Secretary ⁶	2009	133,544	—	15,748	17,004	8,242	—	5,088	179,626

¹ The amounts in the "Stock Awards" column reflect the aggregate grant date fair value of awards granted under our 2009 Equity Participation Plan determined in accordance with FASB ASC Topic 718. See Note 11 of the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2009 regarding assumptions

underlying the valuation of these equity awards.

² The amounts in the “Option Awards” column reflect the aggregate grant date fair value of awards granted under our 2009 Equity Participation Plan determined in accordance with FASB ASC Topic 718. See Note 11 of the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2009 regarding assumptions underlying the valuation of these equity awards.

³ Individual breakdowns of amounts set forth in “All Other Compensation” with respect to the fiscal year ended December 31, 2009 are as follows:

Name	Matching 401(k) Contributions \$	Membership Dues \$	Medical and Dental Health Insurance Payments \$	Life and L-T Disability Insurance Payments \$	Total All Other Compensation \$
Jeffrey D. Thomas	—	4,133	4,528	986	9,647
Margaret M. Thomas	—	1,620	5,177	572	7,369
Chadwick J. Byrd	—	—	5,414	388	5,802 ¹
Kristi J. Gravelle	105	—	4,570	413	5,088

¹ In addition to the amount set forth above, Mr. Byrd also received \$280,000 in connection with severance payments made by the Company under a separation agreement, dated November 1, 2009.

⁴ Individual breakdowns of amounts set forth in “All Other Compensation” with respect to the fiscal year ended December 31, 2008 are as follows:

Name	Matching 401(k) Contributions \$	Membership Dues \$	Medical and Dental Health Insurance Payments \$	Life and L-T Disability Insurance Payments \$	Total All Other Compensation \$
Jeffrey D. Thomas	7,750	4,084	4,577	998	17,409
Margaret M. Thomas	6,600	1,602	4,577	572	13,351
Chadwick J. Byrd	4,650	—	4,630	452	9,732

⁵ Individual breakdowns of amounts set forth in “All Other Compensation” with respect to the fiscal year ended December 31, 2007 are as follows:

Name	Matching 401(k) Contributions \$	Membership Dues \$	Medical and Dental Health Insurance Payments \$	Life and L-T Disability Insurance Payments \$	Total All Other Compensation \$
Jeffrey D. Thomas	7,750	3,540	4,381	1,020	16,691
Margaret M. Thomas	6,567	1,408	4,381	588	12,944
Chadwick J. Byrd	4,650	—	5,279	432	10,361

⁶ Kristi Gravelle began serving as the Company’s interim chief financial officer on November 1, 2009. Prior to that time, Mrs. Gravelle served as the Company’s controller. The information set forth in the Summary Compensation Table above consists of Mrs. Gravelle’s compensation information for the full fiscal year, both in her capacity as controller and interim chief financial officer.

Company Plans

2009 Equity Participation Plan

The Company’s officers, directors and employees are eligible to receive restricted stock awards and options to purchase shares of the Company’s Common Stock under the Company’s Incentive Plan. Stock options have an exercise price equal to 100% of the fair market value of the Company’s Common Stock on

the date of grant. Stock options expire ten years after the date of grant and vest over four years, at 25% per year. Restricted stock vests 100% after four years from the date of grant for employees, and vests 100% after one year from the date of grant for directors.

During the fiscal year ended December 31, 2009, options to purchase 309,081 shares of the Company's Common Stock were granted under the Incentive Plan. In addition, during the Company's 2009 fiscal year, 111,696 shares of restricted stock were granted under the Incentive Plan. During the fiscal year ended December 31, 2009, 28,529 options to purchase and 9,374 restricted shares of Common Stock were forfeited under the Incentive Plan. Options to purchase shares of Common Stock and restricted stock grants totaling 2,018,896 shares of Common Stock were outstanding and held by 12 officers, directors and employees at December 31, 2009. As of December 31, 2009, the weighted-average exercise price of the outstanding options and stock grants was \$11.17.

Profit Sharing Plan

In March 2002, the Company established a 401(k) Profit-Sharing Plan (the "401(k) Plan"). Employees are eligible to participate in the 401(k) Plan upon six months of service and 18 years of age. Employees may contribute up to 92% of their salary, subject to the maximum contribution allowed by the Internal Revenue Service. The Company's matching contribution is discretionary based upon approval by management. Target levels are established by management to be competitive in the market place. The Company did not have any matching contribution subsequent to January 2009. Employees are 100% vested in their contributions and vest in Company matching contributions equally over four years. During the year ended December 31, 2009, the Company contributed approximately \$17,000 to the 401(k) Plan.

Equity Compensation Plan Information

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	2,018,896	\$ 11.17	1,077,675
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	2,018,896	\$ 11.17	1,077,675

Grants of Plan-Based Awards Table

The following table sets forth the plan-based grants made during the fiscal year ended December 31, 2009 to each of our Named Executive Officers.

Name and Principal Position ¹	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ²		All Other Stock Awards: Number of Shares of Stock or Units ^{3,7} (#)	All Other Option Awards: Number of Securities Underlying Options ^{4,7} (#)	Exercise or Base Price of Option Awards ⁵ (\$/Sh)	Grant Date Fair Value of Stock and Options Awards ⁶ (\$)
		Target (\$)	Maximum (\$)				
Jeffrey D. Thomas <i>Chief Executive Officer and President</i>	11/12/09			46,000	121,000	12.04	1,151,580
	02/26/09	150,000	300,000				
Margaret M. Thomas <i>Executive Vice President</i>	11/12/09			14,161	37,266	12.04	354,592
	02/26/09	66,000	132,000				
Chadwick J. Byrd <i>Chief Financial Officer and Secretary</i>	11/12/09			—	—	—	—
	02/26/09	42,000	84,000				
Kristi J. Gravelle <i>Chief Financial Officer and Secretary</i>	11/12/09			1,308	3,442	12.04	32,752
	02/26/09	11,800	15,750				

¹ The Company does not maintain an equity plan that provides for payments based upon achievement of threshold, target and/or maximum goals for Named Executive Officers.

² The amounts in these columns include the target and maximum amounts for each Named Executive Officer under individual non-incentive compensation plans as approved by the Compensation Committee on February 26, 2009 for the fiscal year ended December 31, 2009. The plans do not have a threshold or minimum payout amount.

³ Restricted stock vests 100% after four years from the date of grant.

⁴ The option grants vest over four years at 25% per year, and expire after ten years.

⁵ The exercise price for grants of stock options is determined using the closing price of the Company's Common Stock on the date of grant.

⁶ The grant date fair value of the stock options and restricted stock awards shown in the table above was computed in accordance with GAAP and represents the total projected expense to the Company of grants made in 2009. For a description of the accounting policies and the assumptions used in

determining the value of the stock options and restricted stock awards, see the notes to the financial statements included in our Annual Report on Form 10-K filed on March 2, 2010.
Please refer to 'Long-Term Incentive Compensation/Equity-Based Awards' on page 17 for the methodology and rationale behind granting stock awards and options awards during 2009.

Outstanding Equity Awards at Fiscal Year-End Table

The following table sets forth the outstanding equity awards as of December 31, 2009.

Name and Principal Position	Option Awards				Stock Awards				
	Number of Securities Underlying Unexercised Options	Number of Securities Underlying Unexercised Options	Equity Incentive Plan Awards: Number of Unearned Options	Option Exercise Price ² (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested ³ (#)	Market Value of Shares or Units of Stock That Have Not Vested ⁴ (\$)	Equity Incentive Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Awards: Market Value of Unearned Shares, Units or Other Rights That Have Not Vested
Jeffrey D. Thomas <i>Chief Executive Officer and President</i>	250,000	—	—	\$6.00	3/01/12				
	60,236	—	—	\$9.75	11/07/13				
	101,504	—	—	\$16.74	11/18/14				
	85,646	—	—	\$26.80	11/11/15				
	48,750	16,250	—	\$27.46	11/09/16				
	59,500	59,500	—	\$17.11	11/08/17				
	20,625	61,875	—	\$9.19	11/13/18				
	—	121,000	—	\$12.04	11/12/19				
						138,900 ⁵	\$1,841,814		
Margaret M. Thomas <i>Executive Vice President</i>	3,418	—	—	\$4.96	11/03/10				
	90,000	—	—	\$6.00	3/01/12				
	19,592	—	—	\$9.75	11/07/13				
	11,278	—	—	\$16.74	11/18/14				
	12,000	—	—	\$26.80	11/11/15				
	4,500	1,500	—	\$27.46	11/09/16				
	6,300	6,300	—	\$17.11	11/08/17				
	8,525	25,575	—	\$9.19	11/13/18				
	—	37,266	—	\$12.04	11/12/19				
						33,261 ⁶	\$441,041		

Name and Principal Position	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options	Number of Securities Underlying Unexercised Options	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options	Option Exercise Price ² (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested ³ (#)	Market Value of Shares or Units of Stock That Have Not Vested ⁴ (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Rights That Have Not Vested	Equity Incentive Plan Awards: Market Value of Shares, Units or Rights That Have Not Vested
Chadwick J. Byrd <i>Chief Financial Officer and Secretary</i>	30,000	—	—	\$21.09	8/12/15	—	—	—	—
	2,000	—	—	\$27.46	11/09/16				
	4,700	—	—	\$17.11	11/08/17				
	12,600	—	—	\$9.19	11/13/18				
Kristi J. Gravelle <i>Chief Financial Officer and Secretary</i>	2,500	2,500	—	\$17.11	11/08/17				
	225	675	—	\$9.19	11/13/18				
	—	3,442	—	\$12.04	11/12/19	1,608 ⁷	\$21,322		

¹ Each option grant has a ten-year term and vests pro rata over four years beginning on the first anniversary of the grant date.

² The exercise price for grants of stock options is determined using the closing price of the Company's Common Stock on the date of grant.

³ Restricted stock vests 100% after four years from the date of grant.

⁴ The market value of shares of restricted stock that has not vested was determined using the closing date market price of the Company's Common Stock on December 31, 2009, \$13.26 per share.

⁵ Consists of: (i) 25,000 shares granted on November 9, 2006; (ii) 39,000 shares granted on November 8, 2007; (iii) 28,900 shares granted on November 13, 2008; and (iv) 46,000 shares granted on November 12, 2009.

⁶ Consists of: (i) 3,000 shares granted on November 9, 2006; (ii) 4,200 shares granted on November 8, 2007; (iii) 11,900 shares granted on November 13, 2008; and (iv) 14,161 shares granted on November 12, 2009.

⁷ Consists of: (i) 300 shares granted on November 13, 2008; and (ii) 1,308 shares granted on November 12, 2009.

Option Exercises and Stock Vested Table

The following table sets forth certain information with respect to exercised options and vested stock awards for the fiscal year ended December 31, 2009.

Name and Principal Position	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting	Value Realized on Vesting (\$)
Jeffrey D. Thomas <i>Chief Executive Officer and President</i>	85,724	\$653,006	32,545	\$398,676
Margaret M. Thomas <i>Executive Vice President</i>	—	—	5,000	\$61,250
Chadwick J. Byrd <i>Chief Financial Officer and Secretary</i>	—	—	8,400	\$104,076
Kristi J. Gravelle <i>Chief Financial Officer and Secretary</i>	—	—	—	—

Pension Benefits

The Company does not sponsor any qualified or non-qualified defined benefit plans.

Nonqualified Deferred Compensation

The Company does not maintain any non-qualified defined contribution or deferred compensation plans.

Employment Contracts, Termination of Employment and Change in Control Arrangements

On November 1, 2009, Chadwick J. Byrd resigned as the Company's chief financial officer. Upon resignation, Mr. Byrd received a separation payment of \$275,000, assistance to transition health care costs of \$5,000, and accrued vacation. In connection with Mr. Byrd's departure from the Company and in addition to the payments provided by the separation agreement, Mr. Byrd's outstanding equity awards immediately vested. He was eligible to exercise these awards under the terms of the Company's standard policy.

On September 27, 2006, the Company entered into an Employment Agreement with its president and chief executive officer, Jeffrey D. Thomas. The description of the Employment Agreement set forth below does not purport to be complete and is qualified in its entirety by reference to the text of the Employment Agreement, which was attached as exhibit to the Company's Form 8-K filed on October 3, 2006 with the Securities and Exchange Commission and is incorporated by reference herein.

Termination of Employment under Specific Circumstances Triggering Payment

In the event the Employment Agreement is terminated for any of the reasons set forth below, Mr. Thomas will be entitled to receive certain compensation as more fully described herein. The severance benefits set forth below are designed to maintain a productive, long-term relationship between the Company and Mr. Thomas and are consistent with severance benefits offered to officers in similar industries or sized companies.

Termination for "Cause" or without "Good Reason"

The Company may terminate the Employment Agreement for “Cause” or Mr. Thomas may terminate the Employment Agreement without “Good Reason”. The term “Cause” means any of the following events: (a) Mr. Thomas is convicted, or pleads guilty or nolo contendere to, a felony or a crime involving moral turpitude; (b) Mr. Thomas engages in gross negligence or gross or willful misconduct in connection with the performance of his responsibilities under the Employment Agreement; (c) after written notice to Mr. Thomas, he repeatedly fails to comply materially with any material Company policy; or (d) Mr. Thomas materially breaches any material term or provision of the Employment Agreement and fails to cure such breach within thirty (30) days after he receives written notice from the Company.

The term “Good Reason” means any of the following events: (a) withdrawal by the Company from Mr. Thomas of any substantial part of his duties then being performed, or responsibility or authority then being carried by him, or a material change in Executive’s reporting lines; (b) assignment by the Company to Mr. Thomas of substantial additional duties or responsibilities which are inconsistent with the duties or responsibilities then being carried out by Mr. Thomas; (c) material reduction in the level of Mr. Thomas’s responsibility, authority, autonomy, title, compensation, executive perquisites, or other employee benefits; (d) failure to keep Mr. Thomas in office as president and chief executive officer of the Company; (e) the Company materially breaches any material term or provision of the Employment Agreement and fails to cure such breach within thirty (30) days after the Company receives written notice thereof from Mr. Thomas; (f) fraud on the part of the Company; or (g) discontinuance of the active operation of the business of the Company.

If Mr. Thomas is terminated by the Company for “Cause” or Mr. Thomas terminates his employment without “Good Reason,” then Mr. Thomas will be entitled to receive any unpaid salary, unpaid expenses, unpaid vacation days, and any other benefits provided to him under the Company’s Benefit Programs through the date of his termination. The Employment Agreement also contains certain restrictive covenants and other prohibitions that preclude Mr. Thomas from competing with the Company or soliciting its employees or customers for two (2) years from the effective date of termination of his employment. In consideration for these obligations and covenants to be performed by Mr. Thomas following termination by the Company for “Cause” or termination by Mr. Thomas without “Good Reason,” Mr. Thomas will be entitled to receive (1) \$100,000 on the effective date of termination of his employment, plus (2) an amount equal to the average annual base salary plus the average annual bonus paid to Mr. Thomas for the two full fiscal years immediately preceding his termination less \$100,000, one year following the date of his termination, provided that Margaret Thomas is employed by the Company during the entire one-year period.

If Mr. Thomas were terminated by the Company for “Cause” or Mr. Thomas terminated his employment without “Good Reason” on December 31, 2009, the maximum severance payments owed to Mr. Thomas would have been as follows:

	Termination for “Cause” or resignation without “Good Reason”
Unpaid Salary	\$ —
Unpaid Expenses	—
Unpaid Vacation Days	46,152
Amounts Due under Benefit Programs ¹	—
Noncompete/Nonsolicitation Payment ²	1,324,903
Total ³	\$ 1,371,055

¹ Consists of life and disability insurance benefits.

² In determining the annual bonuses to be paid to Mr. Thomas as a portion of the Noncompete/Nonsolicitation Payment, the Company included the cash amounts owed to Mr. Thomas as well as the value ascribed for financial accounting purposes on the date of grants of any stock

options and/or restricted stock issued to Mr. Thomas.

³ Any payments or other consideration to be received are subject to the deduction limitations and tax imposed by Sections 280G and 4999 of the Code, or to any similar tax imposed by state or local law, or to any interest or penalties with respect to such taxes (collectively “Excise Tax”). Any such payments and value of the other consideration will be reduced, or refunded, as the case may be, by the minimum amount necessary so as to avoid the application of any Excise Tax.

Termination without “Cause” or with “Good Reason”

Under the terms of the Employment Agreement, the Company may terminate Mr. Thomas’ employment without “Cause” by delivering written notice to him. In this case, termination will be effective on the date that notice is received by Mr. Thomas or such later date, not to exceed three (3) months, as may be specified in the notice. In addition, under the terms of the Employment Agreement, Mr. Thomas may terminate his employment with “Good Reason” by delivering written notice to the Company. In this case, termination will be effective thirty (30) days after the date notice is received by the Company or such later date, not to exceed three (3) months, as may be selected by the Board of Directors. In the event the Company terminates Mr. Thomas’ employment without “Cause” or Mr. Thomas terminates his employment with “Good Reason,” then on the effective date of termination, the Company will pay Mr. Thomas any unpaid salary, unpaid expenses, unpaid vacation days, a prorated bonus and any benefits provided to him under the Company’s Benefit Programs. In addition, the Company will be required to pay Mr. Thomas an amount equal to the projected costs of his medical insurance for eighteen (18) months immediately following termination. Furthermore, all of Mr. Thomas’ unvested stock options and stock grants will fully vest upon the date his termination becomes effective. The Employment Agreement also contains certain restrictive covenants and other prohibitions that preclude Mr. Thomas from competing with the Company or soliciting its employees or customers for two (2) years from the effective date of termination of his employment. In consideration for these obligations and covenants to be performed by Mr. Thomas following termination by the Company without “Cause” or termination by Mr. Thomas with “Good Reason,” Mr. Thomas will be entitled to receive an amount equal to the average annual base salary plus the average annual bonus paid to Mr. Thomas for the two (2) full fiscal years immediately preceding his termination.

If Mr. Thomas had been terminated on December 31, 2009 without “Cause” or Mr. Thomas resigned with “Good Reason” on December 31, 2009, the maximum severance payments owed to Mr. Thomas would have been as follows:

	Termination without “Cause” or resignation for “Good Reason”
Unpaid Salary	\$ —
Unpaid Expenses	—
Unpaid Vacation Days	46,152
Prorated Bonus	—
Amounts Due under Benefit Programs ¹	—
Medical Insurance	7,453
Accelerated Vesting of Stock Options and Restricted Stock ²	2,241,265
Noncompete/Nonsolicitation Payment ³	1,324,903
Total⁴	\$ 3,619,773

¹ Consists of life and disability insurance benefits.

² The stock option value is calculated by multiplying the number of unvested shares by the difference between the grant price and the closing stock price on December 31, 2009 (\$13.26). The value of restricted stock is calculated by multiplying the number of unvested shares by the closing stock price on December 31, 2009.

³ In determining the annual bonuses to be paid to Mr. Thomas as a portion of the

Noncompete/Nonsolicitation Payment, the Company included the cash amounts owed to Mr. Thomas as well as the value ascribed for financial accounting purposes on the date of grants of any stock options and/or restricted stock issued to Mr. Thomas.

⁴ Any payments or other consideration to be received are subject to the deduction limitations and tax imposed by Sections 280G and 4999 of the Code, or to any Excise Tax. Any such payments and value of the other consideration will be reduced, or refunded, as the case may be, by the minimum amount necessary so as to avoid the application of any Excise Tax.

Termination without "Cause" or with "Good Reason" in Connection with a "Change in Control"

In the event the Company terminates Mr. Thomas' employment without "Cause" or Mr. Thomas terminates his employment with "Good Reason," and the notice of termination is given in anticipation of, or within the two (2) year period immediately following a "Change in Control," Mr. Thomas will be entitled to receive, in addition to the amounts provided for in the section entitled "*Termination without 'Cause' or with 'Good Reason'*" set forth previously, an amount equal to the average of his annual base salary and average annual bonus for the two (2) full fiscal years immediately preceding termination. For purposes of the Employment Agreement, "Change in Control" means the occurrence of any of the following events: (i) any sale, lease, license, exchange or other transfer to a party not affiliated with the Company (in one transaction or a series of related transactions) of all, or substantially all, of the business and/or assets of Company; (ii) a merger or consolidation of the Company and the Company is not the surviving entity; (iii) a reorganization or liquidation of the Company; or (iv) a merger, consolidation, tender offer or any other transaction involving the Company, if the equity holders of the Company immediately before such merger, consolidation, tender offer or other transaction do not own, directly or indirectly, immediately following such merger, consolidation, tender offer or other transaction, more than fifty percent (50%) of the combined voting power of the outstanding voting securities of the entity resulting from such merger, consolidation, tender offer or other transaction.

If Mr. Thomas had been terminated on December 31, 2009 without "Cause" or Mr. Thomas resigned with "Good Reason" on December 31, 2009 in connection with a "Change in Control," the maximum severance payments owed to Mr. Thomas would have been as follows:

	Termination without "Cause" or for "Good Reason" in connection with a "Change in Control"
Unpaid Salary	\$ —
Unpaid Expenses	—
Unpaid Vacation Days	46,152
Prorated Bonus	—
Amounts Due under Benefit Programs ¹	—
Medical Insurance	7,453
Accelerated Vesting of Stock Options and Restricted Stock ²	2,241,265
Noncompete/Nonsolicitation Payment ³	1,324,903
Amount Due upon Change in Control ⁴	1,324,903
Total⁵	\$ 4,994,676

¹ Consists of life and disability insurance benefits.

² The stock option value is calculated by multiplying the number of unvested shares by the difference between the grant price and the closing stock price on December 31, 2009 (\$13.26). The value of restricted stock is calculated by multiplying the number of unvested shares by the closing stock price on December 31, 2009.

³ In determining the annual bonuses to be paid to Mr. Thomas as a portion of the Noncompete/Nonsolicitation Payment, the Company included the cash amounts owed to Mr. Thomas

as well as the value ascribed for financial accounting purposes on the date of grants of any stock options and/or restricted stock issued to Mr. Thomas.

⁴ In determining the annual bonuses to be paid to Mr. Thomas as a portion of the payment owed to him upon a “Change in Control,” the Company included the cash amounts owed to Mr. Thomas as well as the value ascribed for financial accounting purposes on the date of grants of any stock options and/or restricted stock issued to Mr. Thomas.

⁵ Any payments or other consideration to be received are subject to the deduction limitations and tax imposed by Sections 280G and 4999 of the Code, or to any Excise Tax. Any such payments and value of the other consideration will be reduced, or refunded, as the case may be, by the minimum amount necessary so as to avoid the application of any Excise Tax.

Death or Permanent Disability

Pursuant to the terms of the Employment Agreement, Mr. Thomas’ employment will terminate immediately upon the date of his death. In the event that Mr. Thomas becomes physically or mentally disabled so as to become unable for more than one hundred eighty (180) days in the aggregate in any twelve (12) month period to perform his duties on a full-time basis with reasonable accommodations, the Company may, at its sole discretion, terminate Mr. Thomas’ employment. Upon the date of Mr. Thomas’ death, if during the term of his employment, or upon the Company’s termination of his employment due to a disability, then Mr. Thomas will be entitled to all unpaid salary, unpaid expenses, unpaid vacation days, a prorated bonus and any benefits provided to him under the Company’s Benefit Programs through the date of his death or termination for disability. In addition, all of Mr. Thomas’ unvested stock options and stock grants in Company will fully vest on the date of his termination of employment with the Company.

If Mr. Thomas died or the term of his employment was terminated on December 31, 2009 due to a disability, the maximum severance payments owed to Mr. Thomas would have been as follows:

	Death or Disability
Unpaid Salary	\$ —
Unpaid Expenses	—
Unpaid Vacation Days	46,152
Prorated Bonus	—
Amounts Due under Benefit Programs ¹	50,000
Accelerated Vesting of Stock Options and Restricted Stock ²	2,241,265
Total³	\$ 2,337,417

¹ Consists of life and disability insurance benefits.

² The stock option value is calculated by multiplying the number of unvested shares by the difference between the grant price and the closing stock price on December 31, 2009 (\$13.26). The value of restricted stock is calculated by multiplying the number of unvested shares by the closing stock price on December 31, 2009.

³ Any payments or other consideration to be received are subject to the deduction limitations and tax imposed by Sections 280G and 4999 of the Code, or to any Excise Tax. Any such payments and value of the other consideration will be reduced, or refunded, as the case may be, by the minimum amount necessary so as to avoid the application of any Excise Tax.

Director Compensation Table

The following table provides compensation information for the fiscal year ended December 31, 2009 for each member of the Company's Board of Directors.

Name ¹	Fees Earned or Paid in Cash (\$)	Stock Awards ² (\$)	Option Awards ² (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ³ (\$)	Total (\$)
James M. Kalustian	24,000	12,500	19,388	—	—	—	55,888
John A. Ueberroth	100,000	—	—	—	—	—	100,000
Joseph J. Ueberroth	24,000	12,500	19,388	—	—	—	55,888
Ricardo Lopez Valencia	24,000	12,500	19,388	—	—	—	55,888
Jeffrey D. Thomas ⁴	—	—	—	—	—	—	—
Richard D. C. Whilden	31,000	12,500	19,388	—	—	—	62,888
Brigitte M. Bren	24,000	12,500	19,388	—	—	—	55,888
Daniel G. Byrne	31,000	12,500	19,388	—	—	—	62,888
Rafer L. Johnson	24,000	12,500	19,388	—	—	—	55,888

¹ As the Company's Chairman of the Board, John A. Ueberroth receives an annual \$100,000 fee paid in cash. Each of the Company's other, non-employee directors receive an annual fee of approximately \$56,000 per year, paid \$24,000 in cash and approximately \$32,000 in equity. Moreover, each of the Company's non-employee directors receive \$1,000 per Board meeting attended. Equity compensation is split between options and restricted stock grants. Pursuant to the Incentive Plan, each grant of non-qualified stock options is granted at the fair market value of the Common Stock on the date of grant, and vests in four equal annual installments commencing one year from the date of grant. Each grant of restricted stock is granted at the fair market value of the Common Stock on the date of grant and vests one year from the date of grant. Committee chairpersons receive \$7,000 annually. Committee members also receive up to \$1,000 per committee meeting attended, when the committee meeting takes place on a day other than a Board meeting. These amounts are payable in cash. Additionally, each director is reimbursed for certain out-of-pocket expenses incurred in connection with attendance at Board and committee meetings.

² Amounts calculated utilizing the stock-based compensation accounting principles. For a description of accounting policies and the assumptions used in determining the value of the stock options and restricted stock awards, see the notes to the financial statements included in our Annual Report on Form 10-K, filed on March 2, 2010.

³ Pursuant to the rules of the Securities and Exchange Commission, all other compensation is not required to be disclosed unless the aggregate value of such compensation is \$10,000 or more.

⁴ See "Summary Compensation Table" for disclosure related to Jeffrey D. Thomas who is a Named Executive Officer.

INTERESTS OF DIRECTORS, OFFICERS AND OTHERS IN CERTAIN TRANSACTIONS

The Company recognizes that transactions between the Company and related persons present a potential for actual or perceived conflicts of interest. Pursuant to the rules of the Securities and Exchange Commission, the Company deems a related party transaction to be any transaction or series of related transactions in excess of \$120,000 in which the Company is a party and in which a Related Party has a material interest (each a "Related Party Transaction"). For this purpose, a Related Party is defined to include directors, director nominees, executive officers, 5% beneficial owners and members of their immediate families.

The Company does not have a written policy regarding the review and approval of Related Party Transactions, but collects information about potential Related Party Transactions in its annual questionnaires completed by directors and executive officers of the Company. Potential related party transactions are first reviewed and assessed by the Company's executive management to consider the materiality of the transaction. A material related party transaction is approved or ratified only if the disinterested members of the Board of Directors determine that it is in, or is not inconsistent with, the best interests of the Company and its stockholders and in compliance with the rules of the Securities and Exchange Commission.

There were no transactions between the Company and related persons during 2009.

COMPENSATION COMMITTEE REPORT

We have reviewed and discussed with management certain Compensation Discussion and Analysis provisions to be included in the Company's 2010 Proxy Statement. Based on the reviews and discussions referred to above, we recommend to the Board of Directors that the Compensation Discussion and Analysis referred to above be included in the Company's Proxy Statement and incorporated by reference into our Annual Report on form 10-K.

COMPENSATION COMMITTEE

Richard D. C. Whilden, Chairman
James M. Kalustian
Ricardo Lopez Valencia

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the amount of stock of the Company beneficially owned as of March 29, 2010, by each person (other than Named Executive Officers) known by the Company to own beneficially more than 5% of the outstanding shares of the Company's outstanding Common Stock.

<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership of Common Stock (1)</u>	<u>Percent of Class of Common Stock</u>
Morgan Stanley Investment Management Inc. (2)	1,770,724	9.17 %
Schroder Investment Management North American Inc. (3)	1,699,739	8.80 %
Norbert H. Lou (4)	1,453,337	7.53 %
BlackRock, Inc. (5)	1,258,416	6.52 %

- (1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of Common Stock, which are purchasable under options which are currently exercisable, or which will become exercisable no later than 60 days after March 29, 2010, are deemed outstanding for computing the percentage of the person holding such options, but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote and subject to community property laws, where applicable, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them.
- (2) The address of Morgan Stanley Investment Management Inc. is 522 Fifth Avenue, New York, New York, 10036. The Company is reporting this stock ownership based upon a Schedule 13G/A report filed with the Securities and Exchange Commission on February 12, 2010 by Morgan Stanley Investment Management Inc., disclosing that it and its affiliate have sole voting power as to 1,681,283 shares and sole dispositive power as to 1,770,724 shares.
- (3) The address of Schroder Investment Management North America Inc. is 875 Third Avenue, 21st Floor, New York, New York, 10022. The Company is reporting this stock ownership based upon a Schedule 13G report filed on February 16, 2010 with the Securities and Exchange Commission by Schroder Investment Management North America Inc., disclosing that it has sole voting power as to 1,669,000 shares, sole dispositive power as to 1,699,739 shares, and shared voting power as to 30,739 shares.
- (4) Based on a Schedule 13G/A filed by Punch Card Capital, L.P., Punch Card Capital, LLC and Norbert H. Lou filed with the Securities and Exchange Commission on February 16, 2010. The address of each of the reporting persons is 7065 Westpointe Blvd., Suite 204, Orlando, FL 32835. The reporting persons share voting power as to 1,324,240 shares, and share dispositive power as to 1,383,228 shares. Mr. Lou has sole voting and dispositive power as to 70,109 shares.
- (5) The address of BlackRock, Inc. is 40 East 52nd Street, New York NY 10022. The Company is reporting this stock ownership based upon a Schedule 13G report filed on January 29, 2010 with the Securities and Exchange Commission by BlackRock, Inc., disclosing that it has sole voting power as to 1,258,416 shares, and sole dispositive power as to 1,258,416 shares.

The following table sets forth the amount of Common Stock of the Company beneficially owned as of March 29, 2010, by each director of the Company, each Named Executive Officer, and all directors and executive officers as a group:

<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership of Common Stock (1)</u>	<u>Percent of Class of Common Stock</u>
Jeffrey D. Thomas (2)	1,049,633	5.22%
Margaret M. Thomas (3)	1,049,633	5.22%
John A. Ueberroth (4)	702,900	3.64%
Joseph J. Ueberroth (5)	116,111	*
Richard D. C. Whilden (6)	38,111	*
Rafer L. Johnson (7)	28,871	*
Brigitte M. Bren (8)	18,871	*
Daniel G. Byrne (9)	10,089	*
Chadwick J. Byrd (10)	8,400	*
James M. Kalustian (11)	5,901	*
Ricardo Lopez Valencia (12)	4,474	*
Kristi J. Gravelle (13)	4,333	*
All directors and executive officers as a group (12 people) (14)	1,987,694	9.85%

* Less than 1%

- (1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of Common Stock, which are purchasable under options which are currently exercisable, or which will become exercisable no later than 60 days after March 29, 2010, are deemed outstanding for computing the percentage of the person holding such options, but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote and subject to community property laws, where applicable, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them.
- (2) Chief executive officer and president of the Company. Includes 221,062 shares of Common Stock and options to purchase 626,261 shares of Common Stock issued under the Incentive Plan. Also includes 46,697 shares of Common Stock and 155,613 options to purchase Common Stock beneficially owned by his spouse Margaret M. Thomas. Mr. Thomas' address is 2001 South Flint Road, Spokane, WA 99224.
- (3) Executive vice president of the Company. Includes 46,697 shares of Common Stock and options to purchase 155,613 shares of Common Stock issued under the Incentive Plan. Also includes 221,062 shares of Common Stock and 626,261 options to purchase Common Stock beneficially owned by her spouse Jeffrey D. Thomas. Mrs. Thomas' address is 2001 South Flint Road, Spokane, WA 99224.
- (4) Chairman of the Board of Directors of the Company. Does not include 51,000 shares owned by John and Gail Ueberroth Family Foundation for which Mr. Ueberroth has shared voting power. Mr. John Ueberroth's address is 26 Corporate Plaza, Suite 150, Newport Beach, CA 92660.
- (5) Director. Includes options to purchase 12,451 shares of Common Stock issued under the Incentive Plan. Mr. Joseph Ueberroth's address is 201 Shipyard Way, Suite D, Newport Beach, CA 92663.

- (6) Director. Includes options to purchase 25,451 shares of Common Stock issued under the Incentive Plan. Mr. Whilden's address is 106 S. Poinsettia Avenue, Manhattan Beach, CA 90266.
- (7) Director. Includes options to purchase 25,451 shares of Common Stock issued under the Incentive Plan. Mr. Johnson's address is 6730 East Carson Street, Long Beach, CA 90808.
- (8) Director. Includes options to purchase 15,451 shares of Common Stock issued under the Incentive Plan. Ms. Bren's address is P.O. Box 2648, Beverly Hills, CA 90213.
- (9) Director. Includes options to purchase 5,451 shares of Common Stock issued under the Incentive Plan. Mr. Byrne's address is 111 N. Wall Street, Spokane, WA 99201.
- (10) Former chief financial officer and secretary of the Company. Does not include any options to purchase shares of Common Stock issued under the Incentive Plan. Mr. Byrd's address is 701 Fifth Avenue, 70th Floor, Seattle, WA 98104-7044.
- (11) Director. Includes options to purchase 3,263 shares of Common Stock issued under the Incentive Plan. Mr. Kalustian's address is 215 Wachusett Ave., Arlington, MA 02476.
- (12) Director. Includes options to purchase 2,284 shares of Common Stock issued under the Incentive Plan. Mr. Valencia's address is 12641 S. 35th Place, Phoenix, AZ, 85044.
- (13) Chief financial officer and secretary of the Company. Includes options to purchase 2,725 shares of Common Stock issues under the Incentive Plan. Mrs. Gravelle's address is 2001 South Flint Road, Spokane, WA 99224.
- (14) Includes 874,401 shares of Common Stock issuable upon exercise of stock options.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the executive officers and directors and persons who beneficially own more than 10% of a class of securities registered under Section 12(b) the Exchange Act to file initial reports of ownership and reports of changes in ownership with the Securities and Exchange Commission. Such officers, directors and stockholders are required by Securities and Exchange Commission regulations to furnish the Company with copies of all such reports that they file. Based solely upon the Company's review of such forms furnished to the Company during the fiscal year ended December 31, 2009, and written representations from certain reporting persons, the Company believes that all filing requirements applicable to the Company's executive officers, directors and more than 10% stockholders have been complied with during the year ended December 31, 2009.

REPORT OF AUDIT COMMITTEE

The Audit Committee is composed of four non-employee directors, Daniel G. Byrne, chairman and financial expert, Brigitte M. Bren, Rafer L. Johnson and Joseph J. Ueberroth, all of whom meet the independence and experience requirements of the Securities and Exchange Commission and the Nasdaq Listing Standards, as currently in effect. The Audit Committee met eight times during 2009.

At each of its meetings, the Committee met with the senior members of the Company's financial management team and representatives from the independent registered public accounting firm. The Committee's agenda is established by the Committee's chairman and the Company's chief financial officer. During the year, the Committee had private sessions with the Company's independent registered public accounting firm at which candid discussions of financial management, accounting and internal control issues took place.

The Committee recommended to the Board of Directors the engagement of BDO Seidman, LLP as the Company's independent registered public accounting firm. The Committee reviewed with the Company's financial managers and the independent registered public accountants overall audit scopes and plans, the results of internal and external audit examinations, evaluations by the auditors of the Company's internal controls, and the quality of the Company's financial reporting.

The Committee has reviewed with management the audited financial statements in the Annual Report, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements. In addressing the quality of management's accounting judgments, members of the Audit Committee asked for management's representations that the audited consolidated financial statements of the Company have been prepared in conformity with generally accepted accounting principles and have expressed to both management and the independent registered public accountants their general preference for conservative policies when a range of accounting options is available.

In its meetings with representatives of the independent registered public accounting firm, the Committee asks them to address and discuss their responses to several questions that the Committee believes are particularly relevant to its oversight. These questions include:

- Are there any significant accounting judgments made by management in preparing the financial statements that would have been made differently had the independent registered public accounting firm themselves prepared and been responsible for the financial statements?
- Based on the independent registered public accounting firm's experience and their knowledge of the Company, do the Company's financial statements fairly present to investors, with clarity and completeness, the Company's financial position and performance for the reporting period in accordance with generally accepted accounting principles and Securities and Exchange Commission disclosure requirements?
- Based on the independent registered public accounting firm's experience and their knowledge of the Company, has the Company implemented internal controls and internal audit procedures that are appropriate for the Company?

The Committee believes that by thus focusing its discussions with the independent registered public accounting firm, it can promote a meaningful dialogue that provides a basis for its oversight judgments.

The Committee also discussed with the independent registered public accounting firm all other matters required to be discussed by the auditors with the Committee under Statement on Auditing Standards No. 61 ("Communication with Audit Committees"). The Committee received and discussed with the independent registered public accounting firm their annual written report on their independence from the Company and

its management, which is made under requirements of the Public Company Accounting Oversight Board and considered with the independent registered public accounting firm whether the provision of financial information systems design and implementation and other non-audit services provided by them to the Company during 2009 was compatible with the independent registered public accountants' independence.

In performing all of these functions, the Audit Committee acts only in an oversight capacity. The Committee reviews the Company's Securities and Exchange Commission reports prior to filing and all quarterly earnings announcements in advance of their issuance with management and representatives of the independent registered public accounting firm. In its oversight role, the Committee relies on the work and assurances of the Company's management, which has the primary responsibility for financial statements and reports, and of the independent registered public accounting firm, who, in their report, express an opinion on the conformity of the Company's annual financial statements to generally accepted accounting principles.

In reliance on these reviews and discussions, and the report of the independent registered public accounting firm, the Audit Committee has recommended to the Board of Directors, and the Board has approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009, for filing with the Securities and Exchange Commission.

AUDIT COMMITTEE

Daniel G. Byrne, Chairman

Brigitte M. Bren

Rafer L. Johnson

Joseph J. Ueberroth

CODE OF ETHICS AND CONDUCT

The Company has adopted a Code of Ethics and Conduct, which is a code of conduct and ethics that applies to all of its directors, officers and employees. A copy of the Code of Ethics and Conduct may be obtained, without charge, upon written request addressed to the attention of the secretary, Dwight D. Eisenhower Building, 2001 South Flint Road, Spokane, Washington 99224.

ANNUAL MEETING ATTENDANCE

The Company has adopted a formal policy with regard to directors' attendance at annual meetings of stockholders. All members of the Board of Directors of the Company are strongly encouraged to prepare for, attend and participate in all annual meetings of stockholders. All of the Company's directors attended the 2009 annual meeting of stockholders in person.

STOCKHOLDER COMMUNICATIONS

Stockholders interested in communicating directly with the Board of Directors, or specified individual directors, may do so by writing the secretary of the Company, Kristi J. Gravelle, Ambassadors Group, Inc., Dwight D. Eisenhower Building, 2001 South Flint Road, Spokane, Washington 99224. The secretary will review all such correspondence and will regularly forward to the Board copies of all such correspondence that, in the opinion of the secretary, deals with the functions of the Board or committees thereof or that he otherwise determines requires their attention. Directors may at any time review a log of all correspondence received that is addressed to members of the Board of Directors and request copies of such correspondence. Concerns relating to accounting, internal controls or auditing matters will immediately be brought to the attention of the Audit Committee and handled in accordance with procedures established by the Audit Committee with respect to such matters.

AVAILABILITY OF ANNUAL REPORT ON FORM 10-K

A copy of the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission is available upon written request and without charge to stockholders by writing to Investor Relations, Ambassadors Group, Inc., 2001 South Flint Road, Spokane, Washington 99224.

STOCKHOLDER PROPOSALS

Stockholder Proposals for Inclusion in Next Year's Proxy Statement

Any proposals of stockholders that are intended to be presented at next year's annual meeting must be received by the Company at its principal executive offices on or before December 14, 2010, in order to be considered for inclusion in the Company's proxy materials relating to that meeting.

Other Stockholder Proposals and Director Nominations

If a stockholder wishes to present a stockholder proposal at the Company's next annual meeting that is not intended to be included in the proxy statement or to nominate a person for election to the Company's Board of Directors at the next annual meeting, the stockholder must provide the information required by the Company's bylaws and give timely notice to the secretary of the Company in accordance with the bylaws, which require that notice be received by the secretary not less than 45 days or more than 75 days prior to the Company's first anniversary of the date on which the Company first mailed its proxy materials for the preceding year's annual meeting of stockholders. If the date of the stockholder meeting is changed by more than 30 days from the anniversary of the Company's annual meeting for the prior year, then notice of a stockholder proposal that is not intended to be included on the Company's proxy statement under Rule 14a-8 or of a nomination for election to the Company's Board of Directors must be received no later than the

close of business on the later of 90 days prior to the meeting and 10 days after public pronouncement of the meeting date. Notices of intention to present proposals or to nominate persons for election to the Company's Board of Directors at the next annual meeting should be addressed to the secretary, Ambassadors Group, Inc., Dwight D. Eisenhower Building, 2001 South Flint Road, Spokane, Washington 99224. You may also contact the secretary at the Company's principal executive offices for a copy of the relevant bylaw provisions regarding the requirements for making stockholder proposals.

OTHER BUSINESS

The Company does not know of any other business to be presented at the Annual Meeting and does not intend to bring any other matters before such meeting. If any other matters properly do come before the Annual Meeting, however, the persons named in the accompanying Proxy are empowered, in the absence of contrary instructions, to vote according to their best judgment.

It is important that your stock be represented at the Annual Meeting, regardless of the number of shares you hold. You are, therefore, urged to execute and return the accompanying Proxy in the envelope provided or to vote by telephone or over the internet at your earliest convenience.

By Order of the Board of Directors

Kristi J. Gravelle
Secretary

Spokane, Washington

April 13, 2010

APPENDIX A

AUDIT COMMITTEE CHARTER

The Audit Committee (“the Committee”) of the Board of Directors (“the Board”) of Ambassadors Group, Inc., a Delaware corporation (“the Company”), will have the oversight responsibility, authority and specific duties as described below.

COMPOSITION

The Committee will be comprised of three (3) or more directors as determined by the Board. The members of the Committee must fulfill the independence and experience requirements of the rules and regulations of The Nasdaq Stock Market, Inc. (“Nasdaq”) and the Securities and Exchange Commission (“SEC”). The Members of the Committee will be elected annually at the organizational meeting of the Board and will be listed in the annual report to the Company’s shareholders. One of the members of the Committee shall possess such additional financial experience as required by the rules and regulations of Nasdaq and will be elected Committee Chairman by the Board.

RESPONSIBILITY

The Committee will assist the Board in fulfilling its oversight responsibilities with respect to (i) the annual financial information to be provided to shareholders and the SEC; (ii) the system of internal controls that management has established; and (iii) the internal and external audit process. In addition, the Committee provides an avenue for communication between internal auditors, the independent auditors, financial management and the Board. The Committee should have a clear understanding with the independent auditors that they must maintain an open and transparent relationship with the Committee, and that the ultimate accountability of the independent auditors is to the Board and the Committee. The Committee will make regular reports to the Board concerning its activities.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company’s financial statements are complete and accurate or are in accordance with generally accepted accounting principles. It is not the duty of the Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditors or to assure compliance with laws and regulations and the Company’s business conduct guidelines.

AUTHORITY

The Committee is directly responsible for the appointment, compensation, retention, oversight and termination of engagement of any independent auditor employed by the Company. Each independent auditor shall report directly to the Committee. The Committee is granted the authority to investigate any matter or activity involving financial accounting and financial reporting, as well as the internal control of the Company. In that regard, the Committee will have the authority to approve the retention of external professionals to render advice and counsel in such matters. The cost of the independent auditors and such professionals, as well as the Committee’s ordinary administrative expenses incurred in carrying out its duties, shall be borne by the Company. All employees will be directed to cooperate with respect thereto as requested by members of the Committee.

MEETINGS

The Committee is to meet at least four (4) times annually and as many additional times as the Committee deems necessary. Content of the agenda for each meeting should be cleared by the Committee Chairman. The Committee is to meet in separate executive sessions with the Company’s chief financial officer, independent auditors and internal auditors at least once each year and at other times when considered appropriate. For purposes of a quorum, a majority of the members must be present.

ATTENDANCE

Committee members will strive to be present at all meetings. As necessary or desirable, the Committee Chairman may request that members of management and representatives of the independent auditors and internal auditors be present at Committee meetings.

SPECIFIC DUTIES

In carrying out its oversight responsibilities, the Committee will:

1. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. This should be done in compliance with applicable Nasdaq Audit Committee Requirements.
2. Review with the Company's management, internal auditors and independent auditors the Company's accounting and financial reporting controls. Obtain annually in writing from the independent auditors their letter as to the adequacy of such controls.
3. Review with the Company's management, internal auditors and independent auditors significant accounting and reporting principles, practices and procedures applied by the Company and management's judgments and estimates in preparing its financial statements. Discuss with the independent auditors their judgments about the quality, not just the acceptability, of the Company's accounting principles used in financial reporting.
4. Review the scope of internal auditors' work plan for the year and receive a summary report of major findings by internal auditors and how management is addressing the conditions reported.
5. Review the scope and general extent of the independent auditors' annual audit. The Committee's review should include an explanation from the independent auditors of the factors considered by the auditors in determining the audit scope, including the major risk factors. The independent auditors should confirm to the Committee that no limitations have been placed on the scope or nature of their audit procedures. The Committee will review annually with management the fee arrangement with the independent auditors.
6. Inquire as to the independence of the independent auditors and obtain from the independent auditors, at least annually, a formal written statement delineating all relationships between the independent auditors and the Company as contemplated by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees.
7. Have a predetermined arrangement with the independent auditors that they will advise the Committee, through its Chairman, and management of the Company of any matters identified through procedures followed for interim quarterly financial statements, and that such notification is to be made prior to the related press release or, if not practicable, prior to filing the Company's Form 10-Q. The Committee shall also receive a confirmation provided by the independent auditors at the end of each of the first three quarters of the year that they have nothing to report to the Committee, if that is the case, or the written enumeration of required reporting issues.
8. At the completion of the annual audit, review with management, internal auditors and the independent auditors the following:
 - The annual financial statements and related footnotes and financial information to be included in the Company's annual report to shareholders and on Form 10-K.

- Results of the audit of the financial statements and the related report thereon and, if applicable, a report on changes during the year in accounting principles and their application.
- Significant changes to the audit plan, if any, and any serious disputes or difficulties with management encountered during the audit. Inquire about the cooperation received by the independent auditors during their audit, including access to all requested records, data and information. Inquire of the independent auditors whether there have been any disagreements with management which, if not satisfactorily resolved, would have caused them to issue a nonstandard report on the Company's financial statements.
- Other communications as required to be communicated by the independent auditors by Statement of Auditing Standards (SAS) 61 as amended by SAS 90 relating to the conduct of the audit. Further, receive a communication provided by the independent auditors concerning their judgment about the quality of the Company's accounting principles, as outlined in SAS 61 as amended by SAS 90, and that they concur with management's representation concerning audit adjustments.

If deemed appropriate after such review and discussion, recommend to the Board that the financial statements be included in the Company's annual report on Form 10-K.

9. After preparation by management and review by internal auditors and independent auditors, approve the report required under SEC rules to be included in the Company's annual proxy statement. The Charter is to be published as an appendix to the proxy statement at least every three (3) years.

10. Discuss with the independent auditors the quality of the Company's financial and accounting personnel. Also, elicit the comments of management regarding the responsiveness of the independent auditors to the Company's needs.

11. Meet with management, internal auditors and the independent auditors to discuss any relevant significant recommendations that the independent auditors may have, particularly those characterized as "material" or "serious." Typically, such recommendations will be presented by the independent auditors in the form of a Letter of Comments and Recommendations to the Committee. The Committee should review responses of management to the Letter of Comments and Recommendations from the independent auditors and receive follow-up reports on action taken concerning the aforementioned recommendations.

12. Approve in advance the engagement of the independent auditors for all audit services and non-audit services and approve the fees and terms of any such engagement.

13. Review the appointment and replacement of the senior internal audit executive.

14. Review with management, internal auditors and the independent auditors the methods used to establish and monitor the Company's policies with respect to unethical or illegal activities by Company employees that may have a material impact on the financial statements.

15. Generally as part of the review of the annual financial statements, receive an oral report(s), at least annually, from the Company's general counsel concerning legal and regulatory matters that may have a material impact on the financial statements.

16. As the Committee may deem appropriate, obtain, weigh and consider expert advice as to Audit Committee related rules of Nasdaq, Statements on Auditing Standards and other accounting, legal and regulatory provisions.

17. Review and approve all related-party transactions after reviewing each such transaction for potential conflicts of interest and improprieties.

18. Adopt and monitor a code of ethics for senior financial and other officers and provide for and review prompt disclosure to the public of any change in, or waiver of such code of ethics.

19. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

