

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

**FORM S-3**

**REGISTRATION STATEMENT UNDER  
THE SECURITIES ACT OF 1933**

**AMBASSADORS GROUP INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**  
(State or Jurisdiction of  
Incorporation or Organization)

**Dwight D. Eisenhower Building**  
**110 S. Ferrall Street**  
**Spokane, Washington 99202**  
**(509) 534-6200**  
(Address, Including Zip Code, and  
Telephone Number,  
Including Area Code, of Registrant's  
Principal Executive Offices)

**91-1957010**  
(IRS Employer Identification Number)

**Jeffrey D. Thomas**  
**President and Chief Executive Officer**  
**110 S. Ferrall Street**  
**Spokane, Washington 99202**  
**(509) 534-6200**  
(Name, Address, Including Zip Code, and Telephone Number,  
Including Area Code, of Agent for Service)

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**Approximate Date of Commencement of Proposed Sale to the Public:**  
**From time to time after the effective date of this registration statement.**

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

CALCULATION OF REGISTRATION FEE

<b>Title of Each Class of Securities to be Registered</b>	<b>Amount to be Registered(1)</b>	<b>Proposed Maximum Offering Price Per Share(2)</b>	<b>Proposed Maximum Aggregate Offering Price (2)</b>	<b>Amount of Registration Fee</b>
Common Stock, \$.01 value	1,200,000	\$17.84	\$21,408,000	\$1,732

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- (1) Pursuant to Rule 416 of the Securities Act of 1933, such number of shares of common stock registered hereby shall include an indeterminate number of shares of common stock that may be issued in connection with a stock split, stock dividend, recapitalization or similar event.
  - (2) Estimated solely for purpose of calculating the registration fee in accordance with Rule 457(c) under the Securities Act of 1933. Based on the average of the high and low prices per share of Common Stock of the registrant as reported on the Nasdaq National Market on September 17, 2003.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission acting pursuant to said Section 8(a), may determine.

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THE INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT AND MAY BE CHANGED. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

**PROSPECTUS**  
**Subject to Completion Dated** \_\_\_\_\_ **, 2003**

**1,200,000 SHARES**

**AMBASSADORS GROUP INC.**

**COMMON STOCK**

**This prospectus relates to the resale by Invemed Catalyst Fund L.P., which we refer to in this prospectus as selling stockholder, which is offering to sell up to 1,200,000 shares of our common stock. We are not offering or selling any of the stock. The selling stockholder may sell the stock on the open market at market price in ordinary broker transactions or in negotiated transactions, and it may pay broker commissions in connection with such transactions. We will not receive any of the proceeds of sale of the stock nor pay any broker commissions in connection with such sales. Our common stock is quoted on the Nasdaq National Market under the symbol EPAX. On September 17, 2003, the closing price of our common stock was \$17.79 per share.**

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**You should carefully consider each of the risk factors described under *RISK FACTORS* beginning on page 5 of this prospectus.**

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**The selling stockholder and any broker-dealer executing selling orders on behalf of or purchasing from the selling stockholder may be deemed to be an “underwriter” within the meaning of the Securities Act. Commissions received by any such broker-dealer may be deemed to be underwriting commissions or discounts under the Securities Act of 1933.**

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**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

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**The date of this prospectus is [ ], 2003**

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**You should rely only on the information contained in or incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information or to make any representations other than those contained in this offering. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information provided by this prospectus is accurate as of any date other than the date on the front cover of this prospectus.**

## PROSPECTUS SUMMARY

*You should read this summary together with the other information contained in other parts of this prospectus and the documents which are incorporated by reference. Because it is a summary, it does not contain all of the information that you should consider before investing in our common stock. We will provide copies of documents incorporated by reference to you upon request and without cost to you.*

The business of Ambassadors Group, Inc. (which we sometimes refer to as we, us, or Group) has been active since Ambassadors International, Inc. (Ambassadors) was founded in 1967.

We are comprised of several specialized private-label travel programs, including (i) the “People to People Student Ambassador Programs,” which provide opportunities for grade school, junior high, and high school students to visit domestic and foreign destinations to learn about the history, government, economy and culture of such countries, (ii) the “People to People Sports Ambassador Programs,” which provide opportunities for junior high and high school athletes to participate in domestic and international sports travel programs, and (iii) the “People to People Ambassador Programs,” which provide foreign travel experiences for professionals, with emphasis on meetings and seminars between participants and persons in similar professions abroad.

Pursuant to agreements with People to People International, we organize and promote educational travel programs for students, professionals and athletes, principally using the People to People name. People to People International is a private, non-profit organization dedicated to the promotion of world peace through cultural exchange. People to People International was founded by President Dwight D. Eisenhower in 1956 and was originally administered by the U.S. State Department. Eight U.S. Presidents since President Eisenhower have served as Honorary Chairman of People to People, including President George W. Bush, who currently holds that position.

We have the exclusive right to develop and conduct student programs for kindergarten through high school students using the People to People name. We also have the non-exclusive right to develop, market and operate programs for professionals, college age, and athletes using the People to People name. These rights have been granted to us pursuant to agreements with People to People, which expire in 2010 and may be extended through 2020 at our sole election.

### **Business Overview**

#### **Student Ambassador Programs**

Our Student Ambassador Programs provide an opportunity for students in the fifth through twelfth grades to travel domestically or visit one or more foreign countries to learn about the history, government, economy and culture of such countries.

Student Ambassador Program delegations depart during the summer months, June through August, and generally travel for approximately 14 to 23 days, during which time each delegation travels domestically or visits one or more foreign countries. Each delegation generally consists of approximately 30 to 40 students and several teachers, who act as the delegation’s leaders. Teachers and students comprising a delegation generally come from the same locale. Local guides in each country assist the delegations in their travels.

Programs are designed by our staff of international planners and researchers to provide an educational and entertaining travel experience by exposing students to the history, government, economy and culture of the country or countries visited. In each country, we contract with program coordinators to provide day-to-day oversight of the programs. Additionally, a local guide trained by us accompanies the group throughout the duration of its program. In many instances, we also provide students with the opportunity for a homestay (a brief stay with a host family) which gives students a glimpse of daily life in the visited country.

#### **Sports Ambassador Programs**

Our Sports Ambassador Programs provide an opportunity for athletes to explore the host country’s culture and to participate in international tournaments with teams from across the world in up to 8 different sports. Athletes’ ages range from 11 to 19

years of age. We market our Sports Ambassador Programs through a combination of direct mail and local informational meetings.

Participants in the Sports Ambassador Programs depart during the summer months, June through August, and travel for 9 to 14 days. Teams are formed based on gender and age. Most teams are comprised of athletes from different states. During a 3 to 4 day training camp, all athletes participate in an individual skill assessment, after which rosters are formed to ensure balanced and competitive teams. After the formation of rosters, the rest of the training camp focuses on team practice and fundamentals in preparation for the ensuing tournament competition.

#### Professional Ambassador Programs

Our Professional Ambassador Programs provide professionals with common interests the opportunity to travel abroad to meet and exchange ideas with foreign citizens who have similar backgrounds, interests or professions. We market our Professional Ambassador Programs through a direct mail marketing effort throughout the year. Programs originate from our internal marketing and research staff, who identify potential delegation topics and leaders. Professional programs have been conducted in such areas as agriculture, economics, education, law, medicine and science.

We believe that our Professional Ambassador Programs provide participants with enriching experiences and deeper understandings of foreign cultures and people than visits arranged independently or through travel agencies. Professional Ambassador Programs operate year-round and are generally designed to provide a specialized adult educational experience. Professional Ambassador Programs travel 10 to 14 days.

#### Other Programs

Our Eisenhower Scholar Programs provide a unique international travel experience specifically designed for university students with an opportunity to study abroad during their semester or quarter breaks. The curriculum-based programs focus on specific areas of study such as international business, medicine, law, diplomacy, humanities, and leadership. In addition, we also provide Conference Programs giving the opportunity for motivated students with academic promise, leadership potential and a desire to serve their communities to travel to a domestic location to exchange ideas with renowned speakers, field specific experts, professional educators and their peers. This program is specifically designed for students in the sixth through twelfth grades.

#### Strategic Alliances

We also operate certain specialty travel programs for domestic travel markets. We have entered into an alliance with Yosemite National Institutes, a non-profit organization with operations in Yosemite National Park, Olympic National Park and Golden Gate National Recreation Area. Our agreement with Yosemite National Institutes prescribes the nature, scope and pricing of the travel services provided by Yosemite National Institutes to our delegates. Our agreement with Yosemite National Institutes is exclusive, except that Yosemite National Institutes may conduct its own programs. We have agreements with the Amateur Athletic Union, Young American Bowling Alliance, and American Youth Soccer Organization to offer international travel for its players. These agreements currently do not generate significant revenues.

#### Service Marks

Group and its subsidiaries have registered a variety of service and trademarks, including the names "Venture Into the World," "Citizen Ambassador Program," "Initiative For Understanding," "Travel with a Purpose," "Student Ambassador Programs," "Sports Ambassador," "Eisenhower Scholar," and "American Ambassador Program." In addition, we have the right, subject to certain exceptions, to use People to People's name, service mark and logo for use in marketing student, sports, and professional programs. We believe that the strength of our service and trademarks are valuable to our business and we intend to continue to protect and promote our marks as appropriate. However, we believe that our business is not overly dependent upon any particular trademark or service mark.

#### Relationship With Ambassadors

Prior to February 28, 2002, Group was a wholly owned subsidiary of Ambassadors. Effective February 28, 2002, Ambassadors completed the spin-off of Group by virtue of a special stock dividend to Ambassadors' stockholders of all of the

outstanding shares of Group that Ambassadors owned. Trading of our common stock on the Nasdaq National Market began on March 1, 2002 under the symbol "EPAX."

## **Growth Strategy**

Our strategy is to maintain our quality standards while increasing the volume of our business. To grow our business, we intend to (i) expand the marketing and tour volume of our existing student and sports travel programs, (ii) introduce new student and sport travel programs and strategic alliances, (iii) expand our professional travel programs, and (iv) pursue acquisition opportunities.

### **Expand the Marketing and Tour Volume of Existing Student and Sports Travel Programs**

U.S. Census data projects that there will be more than 42.2 million people in the 10 to 19 year old age range by 2005. We believe that a large number of qualified students in this age group are not aware of our youth travel programs. In light of these factors, we intend to improve our marketing techniques by targeting additional age groups, making greater use of referrals from teachers, parents and past student travelers, and expanding and refining our extensive databases of potential participants.

### **Introduce New Student and Sports Travel Programs and Strategic Alliances**

We continually seek to develop and introduce additional innovative, educational travel experiences. We intend to continue to maintain our contacts with foreign governmental agencies and officials and intend to continue to utilize these and other foreign contacts to organize opportunities for our program participants that other travel programs do not currently offer. In addition, we may develop new youth travel programs organized around common extracurricular activities such as sports, science, nature, and music.

### **Broaden Professional Travel Programs**

According to U.S. Census data, the number of Americans 45 to 74 years old is expected to grow substantially, increasing to more than 92.7 million people in 2005 from 79.3 million people in 2000. This trend is expected to benefit us as this population segment historically has been the most likely to participate in one of our professional travel programs. In addition, we believe that American adults increasingly seek the convenience and unique experiences offered by prepackaged vacation tours. Consequently, we believe that the opportunity exists to expand professional educational travel programs by continuing to improve the quality and number of our specialty professional programs and by exploring new country destinations. We also intend to develop alliances with partners that have strong brand recognition and access to well defined customer segments.

### **Pursue Acquisition Opportunities**

We believe that the industries encompassed by our business to be large and fragmented, which present attractive acquisition opportunities. We believe that the industry's large size and fragmentation will facilitate acquisitions of businesses that are either compatible with our current business or represent a developing specialty segment not currently addressed by our operations.

## **The Offering**

This prospectus concerns an offering of up to 1,200,000 shares of our common stock by one of our current stockholders, Invemed Catalyst Fund, L.P., the selling stockholder. We are not offering or selling any of the stock being registered pursuant to this Prospectus. We have registered this offering in compliance with registration rights that we granted to the selling stockholder. The selling stockholder is not required to sell the stock; sales of the stock are entirely at the discretion of the selling stockholder. As discussed in more detail below in "Plan of Distribution," the selling stockholder may sell the stock either on the open market at market price in ordinary broker transactions or in negotiated transactions, and they may pay broker commissions in connection with such transactions. We will not receive any of the proceeds of sale of the stock nor pay any broker commissions in connection with such sales. Our common stock is quoted on the Nasdaq National Market under the symbol "EPAX." On September 17, 2003, the closing price for our stock was \$17.79 per share. We will pay the costs of registering the offer and sale of the stock with the Securities and Exchange Commission (SEC) and any required state securities agencies.

Common Stock Offered by the selling stockholder  
Nasdaq National Market Symbol

1,200,000 Shares  
EPAX

## RISK FACTORS

*Investing in our common stock involves a significant degree of risk. You should carefully consider the following risk factors and all the other information contained in this prospectus or incorporated by reference before investing in our common stock. If any of the following risks actually occurs, our business, financial condition and results of operations could suffer, in which case the trading price of our common stock may decline.*

### Risks Relating to Group's Business

*Our business is susceptible to international disturbances such as armed conflict and terrorism*

Terrorist attacks, such as the attacks that occurred on September 11, 2001, the response by the United States, the war with Iraq and other acts of violence or war have and will affect the travel industry generally, the markets in which we operate, our operations and profitability. Further terrorist attacks against the United States or United States businesses at home and abroad may occur. The September 11 attacks have had a very negative impact on domestic and international air travel and the travel industry in general. As a result, we experienced significant decrease in profitability in 2002. The potential near-term and long-term effects of these attacks are uncertain for our customers, the market for our common stock, the markets for our services and the U.S. economy. The consequences of any terrorist attacks, or any armed conflicts including war which may result, are unpredictable, and we may not be able to foresee events that could have an adverse effect on our business or operations.

*A majority of our revenues are generated by travel programs to a few regions which makes us susceptible to developments in those areas*

In the past, gross receipts from programs to Europe, the South Pacific (Australia and New Zealand) and China have accounted for a majority of our gross receipts. The occurrence of any of the events described above or other unforeseen developments in one or more of these regions would have a material adverse effect on our business. Demand for our travel programs also may be adversely affected by natural occurrences in these areas such as hurricanes, earthquakes, heat waves, epidemics, such as SARS, and flooding.

*Our business is affected by factors impacting the travel industry generally*

Our results of operations will depend upon factors affecting the travel industry in general. Our revenues and earnings are especially sensitive to events that affect domestic and international air travel and the level of hotel reservations. A number of factors, including those mentioned above, a rise in fuel prices or other travel costs, excessive inflation, currency fluctuations, extreme weather conditions and concerns about passenger safety could result in a temporary or longer-term overall decline in demand for our travel programs. Demand for our products and services may be significantly affected by the general level of economic activity and employment in the United States and key international markets. Therefore, any significant economic downturn or recession in the United States or these other markets could have a material adverse effect on our business, financial condition, cash flows and results of operations.

*We experience significant fluctuations in our quarterly results due to the seasonal nature of our business that may make it more difficult to evaluate our company*

Our businesses are highly seasonal. We recognize gross program receipts, revenues and program pass-through expenses upon the departure of our program participants. The majority of our travel programs are scheduled in June and July of each year, and we anticipate that this trend will continue for the foreseeable future. Substantially all of our operating income is generated in this period, which historically has offset the operating losses incurred during the rest of the year. Our annual results would be adversely affected if our revenues were to be substantially below seasonal norms during the second and third quarters of the year. Our operating results may fluctuate as a result of many factors, including the mix of student, sports, and professional programs and program destinations offered by us and our competitors, the introduction and acceptance of new programs and program enhancements by us and our competitors, timing of program completions, cancellation rates, competitive conditions in the industry, marketing expenses, extreme weather conditions, international or domestic conflicts, timing of and costs related to acquisitions, changes in

relationships with certain travel providers, economic factors and other considerations affecting travel.

*We face intense competition in providing educational travel services*

The travel industry in general and the educational segment of the travel industry is highly competitive and has relatively low barriers to entry. We compete with other companies that provide similar educational travel programs for students as well as independent programs organized and sponsored by local teachers with the assistance of local travel agents. In general, our professional travel programs compete with independent professional organizations that sponsor and organize their own travel programs through the assistance of local travel agents, and other organizations that offer travel programs for adults. Some of our competitors are larger and have greater brand name recognition and financial resources than we do. We cannot provide assurance that we will be able to compete successfully, and our failure to compete successfully may have a material adverse effect on our business, financial condition, cash flows and results of operations.

*The success of our business is dependent on our agreements with People to People International*

Our agreements with People to People International give us the exclusive right to develop and conduct programs for kindergarten through high school students using the People to People name, and the non-exclusive right to develop and conduct programs for professionals, college age, and athletes using the People to People name. Our agreements with People to People International, however, allow People to People International to continue to conduct college and professional seminars and internship programs and to develop other sports and professional programs. Our agreements with People to People International expire in 2010 and, at our election, may be further extended through 2020. The agreements allow People to People International to terminate its agreements with us if we fail to perform our obligations under such agreements. If our agreements with People to People International were terminated or if we were unable to use the People to People name to market new programs or destinations, this could have a material adverse effect on our business, financial condition, cash flows and results of operations.

*Our business is dependent on travel suppliers with whom we do not have long-term agreements*

We are dependent upon travel suppliers for access to their products and services. Travel suppliers include airlines, hotels, bus lines and other participants in the travel industry. Consistent with industry practices, we currently have no long-term agreements with travel suppliers that obligate these suppliers to sell services or products to us on an ongoing basis. Therefore, our travel suppliers generally can cancel or modify their agreements upon relatively short notice. In addition, any decline in the quality of travel products and services provided by these suppliers, or a perception by travelers of such a decline, could adversely affect our reputation. The loss of contracts, changes in our pricing agreements, commission schedules or incentive override commission arrangements, more restricted access to travel suppliers' products and services or less favorable public opinion of certain travel suppliers and resulting low demand for the products and services of such travel suppliers could have a material adverse effect on our business, financial condition, cash flows and results of operations.

*Our success is dependent on key personnel without whom our business would suffer*

Our performance is substantially dependent on the continued services and performances of senior management and certain other key personnel. The loss of the services of any of such person could have a material adverse effect on our business, financial condition and results of operations. We do not have long-term employment agreements with any of our executive officers. Our failure to retain and attract necessary managerial, marketing and customer service personnel could have a material adverse effect on our business, financial condition, cash flows and results of operations.

*Our business is subject to significant government regulation and taxation any change in which may have an adverse effect on us*

Many travel suppliers, particularly airlines, are subject to extensive regulation by federal, state and foreign governments. In addition, the travel industry is subject to certain Seller of Travel Laws of certain states and special taxes by federal, state, local and foreign governments, including hotel bed taxes, car rental taxes, airline excise taxes and airport taxes and fees. New or different regulatory schemes or changes in tax policy could have an adverse impact on the travel industry in general and could have a material adverse effect on our business, financial condition, cash flows and

results of operations.

*Our business is subject to currency exchange rates risks*

Many of our arrangements with our foreign-based suppliers require payment to be made in foreign currencies. Any decrease in the value of the U.S. dollar in relation to foreign currencies has the effect of increasing the cost of our services. Since late 1993, we generally have purchased forward contracts with less than two years maturity to help manage program costs and hedge against foreign currency valuation increases. While the ability to utilize forward contracts for the delivery of foreign currencies can mitigate the effect of increased program costs and foreign currency exchange fluctuations, we cannot assure you that increased program costs relating to such currency fluctuations will not be substantial in future periods. We also cannot assure you that the hedging strategy will mitigate longer term foreign exchange valuation trends. Our contract with participants in travel programs provides us with the option of passing along to participants any increase in program costs resulting from currency fluctuations. Although we have exercised this option in the past, we cannot assure you that we will be able to increase program prices to offset any such cost increases in the future and any failure to do so could have a material adverse effect on our business, financial condition, cash flows and results of operations.

*Our business may be susceptible to casualty losses*

Due to the nature of our business, we may be subject to liability claims arising out of accidents or disasters causing injury to participants in its programs, including claims for serious personal injury or death. We cannot assure you that our insurance coverage will be sufficient to cover one or more large claims or that the applicable insurer will be solvent at the time of any covered loss. Further, we cannot provide assurance that we will be able to obtain insurance coverage at acceptable levels and cost in the future. Successful assertion against us or a series of large uninsured claims, or one or a series of claims exceeding any insurance coverage, could have a material adverse effect on our business, financial condition, cash flows and results of operations.

*Certain of our stockholders own a significant percentage of our common stock*

John Ueberroth, Joseph Ueberroth and Peter Ueberroth (all family members) beneficially own in the aggregate approximately 16% of the outstanding shares of our common stock. Accordingly, they have the ability to exercise significant voting control, and could be able to elect all of our directors and be able to determine the outcome of any matter being voted upon by stockholders, including any merger, sale of assets or other change in control of Group. Such voting control will limit the significance of the voting rights of the holders of our common stock. The Ueberroths' ownership position, together with the antitakeover effects of certain provisions contained in our Certificate of Incorporation and Bylaws, may have the effect of delaying or preventing a change of control of Group.

Risks Relating to the spin-off and our separation from Ambassadors

*We may have to indemnify Ambassadors for tax liabilities incurred in connection with the spin-off*

In connection with the spin-off, we and Ambassadors entered into a tax sharing agreement pursuant to which we agreed to indemnify Ambassadors for certain taxes and similar obligations that could incur if the spin-off does not qualify for tax-free treatment due to any of the following events:

- the acquisition of a controlling interest in Group stock after the spin-off;
- our failure to continue our business after the spin-off;
- a repurchase of Group stock; or
- other acts or omissions by us.

*Our historical financial information may not be representative of our results as a separate company*

Group's financial statements, as of December 31, 2000, 2001 and for the period January 1, 2002 through February 28, 2002, have been carved out from the consolidated financial statements of Ambassadors using the historical operating results and historical bases of the assets and liabilities of the Ambassadors business that Group comprised. Accordingly, our historical financial information does not necessarily reflect our financial position, operating results and cash flows as

if we had been a separate, stand-alone entity during the periods presented. Our costs and expenses include allocations from Ambassadors for centralized corporate services and infrastructure costs, including legal, accounting, insurance, finance and information technology. While we made certain adjustments to our historical financial information, we have not made all of the necessary adjustments to our historical financial information to reflect all significant changes that will occur in our cost structure, funding and operations as a result of our separation from Ambassadors, including increased costs associated with reduced economies of scale, increased marketing expenses related to building our brand identity separate from Ambassadors and increased costs associated with being a publicly-traded, stand-alone company.

*Our directors may have conflicts of interest due to their dual service as directors of Ambassadors*

All but two of our directors also serves as a director (and in one instance an executive officer) of Ambassadors. Whenever a director of Group serves as an executive officer or director of another entity such as Ambassadors, there is the potential for a conflict of interest, i.e., that the fiduciary obligations of an individual to Ambassadors conflict with the fiduciary obligations to us or vice versa. Involvement by these same individuals in the affairs of Ambassadors specifically creates demands on their time and resources, which we may need for our affairs. Our directors resolve all conflicts in accordance with their fiduciary duties and utilize an audit committee to approve all related party transactions as required by Nasdaq Marketplace Rules.

## **Other Risks**

*Effectiveness of this registration statement could reduce the market price of our common stock*

Once this registration statement is declared effective, the selling stockholder will be able to sell 1,200,000 shares of our common stock. The sale of common stock covered by this registration statement by the selling stockholder and introduction of all or a portion of the 1,200,000 shares registered hereby into the trading market may adversely affect the market price of our common stock.

## **FORWARD-LOOKING STATEMENTS**

The statements contained in this prospectus that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements may be identified by the use of forward-looking terms such as “believes,” “expects,” “may,” “will,” “should” or “anticipates” or by discussions of strategy that involve risks and uncertainties. From time to time, we have made or may make forward-looking statements, orally or in writing. These forward-looking statements include statements regarding anticipated future revenues, sales, operations, demand, competition, capital expenditures, credit arrangements, and other statements regarding matters that are not historical facts, involve predictions which are based upon a number of future conditions that ultimately may prove to be inaccurate. In making any of these statements, the expectations are believed to be based upon reasonable assumptions, however, our actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. Factors that may cause or contribute to such differences include those discussed under *Risk Factors*, above, in our Form 10-K for fiscal year ended December 31, 2002, in *Business* and in *Management’s Discussion and Analysis of Financial Condition and Results of Operations*, as well as those discussed elsewhere in this prospectus. These factors, of course, do not include all factors which might affect our business and financial condition.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this section. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws or as set forth in the registration statement on Form S-3 that contains this prospectus.

## **USE OF PROCEEDS**

The selling stockholder is selling the stock and will receive all of the proceeds from any sales. We will not receive any sales proceeds. See “Plan of Distribution.”

## **SELLING STOCKHOLDER**

We are registering all 1,200,000 shares covered by this prospectus on behalf of Invemed Catalyst Fund, L.P., the selling stockholder (including its donees, pledgees, transferees or other successors-in-interest who receive any of the shares covered by this prospectus), in accordance with the terms of a registration rights agreement entered into in connection with a private placement sale between the selling stockholder and John Ueberroth and Peter Ueberroth (and certain of their affiliates) on July 29, 2003 that we refer to herein as the registration rights agreement. Except for the shares covered by this prospectus, the selling stockholder does not beneficially own any shares of our common stock.

The following table sets forth, as of the date of this prospectus: (1) the name of the selling stockholder, (2) the number of shares of our common stock owned by the selling stockholder prior to the offering, (3) the number of shares offered for the account of the selling stockholder pursuant to this prospectus and (4) the number of shares that the selling stockholder would own if it sold all of its shares registered by this prospectus.

Name	Shares Owned Before Offering	Shares to be Sold in Offering	Shares Owned After Offering (1)	Percentage Owned After Offering
Invemed Catalyst Fund, L.P.	1,200,000	1,200,000	—	—
Total		1,200,000		

Percentage of ownership for each holder is calculated based on 9,944,096 shares of common stock outstanding on September 1, 2003. Beneficial ownership is determined in accordance with the SEC Rule 13d-3 and generally includes shares over which the holder has voting or investment power, subject to community property laws. All shares of common stock obtainable upon conversion of securities or exercise of stock options or warrants (including those that are not currently exercisable but will become exercisable within 60 days hereafter) are considered to be beneficially owned by the person holding the options or warrants for computing that person's percentage, but are not treated as outstanding for computing the percentage of any other person.

(1) Assumes that the selling stockholder does not acquire any additional shares of common stock. As noted below, the selling stockholder is not required to sell any shares of our common stock covered by this prospectus.

This prospectus also covers any additional shares of common stock that become issuable in connection with the shares being registered by reason of any stock dividend, stock split, recapitalization or other similar transaction effected without the receipt of consideration that results in an increase in the number of outstanding shares of our common stock. We are registering the shares to permit the selling stockholder to offer these shares for resale from time to time. Because the selling stockholder may sell all, some or no part of its shares of our common stock covered by this prospectus, we cannot estimate the number of shares of our common stock that will be held by the selling stockholder upon the termination of this offering. For more information, see "Plan of Distribution."

### **PLAN OF DISTRIBUTION**

We are registering the shares offered by this prospectus on behalf of the selling stockholder. As used herein, "selling stockholder" includes donees, pledgees, transferees and other successors-in-interest selling shares received from the named selling stockholder as a gift, pledge, partnership distribution or other non-sale related transaction after the date of this prospectus. All costs, expenses and fees in connection with the registration of the shares offered hereby will be borne by us. Brokerage commissions and similar selling expenses, if any, attributable to the sale of the shares will be borne by the selling stockholder. Sales of the shares may be effected from time to time in one or more types of transactions (which may include block transactions):

- on the NASDAQ or any other stock exchange, market or trading facility on which the shares are traded;

- in the over-the-counter market;
- in negotiated transactions, through put or call options transactions relating to the shares; and
- through short sales of the shares, or through a combination of such methods of sale,

at market prices prevailing at the time of sale, or at negotiated prices. These transactions may or may not involve brokers or dealers. The selling stockholder has advised us that it has not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of their shares, nor is there an underwriter or coordinating broker acting in connection with the proposed sale of the shares by the selling stockholder.

The selling stockholder may effect such transactions by selling the shares directly to purchasers or to or through broker-dealers, which may act as agents or principals. These broker-dealers may receive compensation in the form of discounts, concessions, or commissions from the selling stockholder and/or the purchasers of the shares for whom these broker-dealers may act as agents or to whom they sell as principal, or both (which compensation as to a particular broker-dealer might be in excess of customary commissions).

The selling stockholder may enter into hedging transactions with broker-dealers or other financial institutions. In connection with such transactions, broker-dealers or other financial institutions may engage in short sales of our common stock in the course of hedging the positions they assume with the selling stockholder. The selling stockholder may also enter into options or other transactions with broker-dealers or other financial institutions that require the delivery to the broker-dealer or other financial institutions of shares covered by this prospectus, which shares the broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect these transactions).

The selling stockholder and any broker-dealers that act in connection with the sale of the shares might be deemed “underwriters” within the meaning of Section 2(11) of the Securities Act and any commissions received by such broker-dealers and any profit on the sale of the shares sold by them while acting as principals might be deemed to be underwriting discounts or commissions under the Securities Act. We have agreed, pursuant to the registration rights agreement, to indemnify the selling stockholder against specified liabilities, including liabilities arising under the Securities Act. The selling stockholder may agree to indemnify any agent, dealer or broker-dealer that participates in transactions involving sales of the shares against certain liabilities, including liabilities arising under the Securities Act.

Because the selling stockholder may be deemed to be an “underwriter” under Section 2(11) of the Securities Act, the selling stockholder will be subject to the prospectus delivery requirements of the Securities Act, which may include delivery through the facilities of the American Stock Exchange or the Pacific Exchange pursuant to Rule 153 under the Securities Act. We have informed the selling stockholder that the anti-manipulative provisions of Regulation M promulgated under the Exchange Act may apply to their sales in the market.

The selling stockholder also may resell all or a portion of the shares in open market transactions in reliance upon Rule 144 under the Securities Act, provided they meet the criteria and conform to the requirements of Rule 144. Upon our being notified by the selling stockholder that any material arrangement has been entered into with a broker-dealer for the sale of shares through a block trade, special offering, exchange distribution or secondary distribution or a purchase by a broker or dealer, a supplement to this prospectus will be filed, if required, pursuant to Rule 424(b) under the Securities Act, disclosing:

- the name of each such selling stockholder and broker-dealer(s);
- the number of shares involved;
- the price at which such shares were sold;
- the commissions paid or discounts or concessions allowed to such broker-dealers(s), where applicable;
- that such broker-dealer(s) did not conduct any investigation to verify information set out or incorporated by reference in this prospectus; and
- other facts material to the transaction.

In addition, upon our being notified by the selling stockholder that a donee, pledgee, transferee or other successor in interest intends to sell more than 500 shares, a supplement to this prospectus will be filed.

## LEGAL MATTERS

The law firm of Richman, Mann, Chizever, Phillips & Duboff, of Beverly Hills, California, will pass upon the validity of the securities offered by this prospectus.

## EXPERTS

The consolidated financial statements of Ambassadors Group, Inc. incorporated in this Prospectus by reference to the Annual Report on Form 10-K of Ambassadors Group, Inc. for the year ended December 31, 2002 has been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

## INCORPORATION OF DOCUMENTS BY REFERENCE

The SEC allows us to “incorporate by reference” in this prospectus certain information which we file with the SEC. This means we can fulfill, and fulfilled, our obligations to provide you with certain important information by referring you to other documents which we have filed with the SEC. The information which is incorporated by reference is an important part of this prospectus.

We are incorporating by reference in this prospectus the following documents which we have filed, or may later file, with the SEC under the Securities Exchange Act of 1934 (the “Exchange Act”). The information we file with the SEC later will automatically update and supersede the present information.

1. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (SEC file number 0-33347).
2. Our Quarterly Report on Form 10-Q for the three months ended March 31, 2003 (SEC file number 0-33347).
3. Our Quarterly Report on Form 10-Q for the three months ended June 30, 2003 (SEC file number 0-33347).
4. All reports which we file with the SEC under the Exchange Act after the date of the initial registration statement of which this prospectus is a part and prior to the effective date of such registration statement.
5. The description of our common stock in our registration statement on Form 10 (File No. 0-33347) filed under the Exchange Act on November 15, 2001, and any amendments or reports filed to update the description; and,

All documents which we file under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 between the date of this prospectus and the termination of the offering shall be deemed to be incorporated by reference into this prospectus.

We will provide to each person to whom a prospectus is delivered, including any beneficial owner, a copy of any or all of the information which is incorporated by reference in this prospectus but which is not delivered with this prospectus. We will provide such information, at no cost to the requesting person, upon written or oral request made to:

Jeffrey D. Thomas  
President and Chief Executive Officer  
110 S. Ferrall Street  
Spokane, Washington 99202  
(509) 534-6200

## **WHERE YOU CAN FIND MORE INFORMATION**

You should rely only on the information in this prospectus or any prospectus supplement or incorporated by reference in them. We have not authorized anyone else to provide you with different information. Offers of the securities are being made only in states where the offers are permitted. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of those documents. If information in incorporated documents conflicts with information in this prospectus, you should rely on the most recent information. If information in an incorporated document conflicts with information in another incorporated document, you should rely on the most recent incorporated document.

This prospectus is part of a Registration Statement on Form S-3 that has been filed with the SEC. It does not include all of the information that is in the registration statement and the additional documents filed as exhibits with it. For more detailed information, you should read the exhibits themselves.

We are subject to the informational requirements of the Exchange Act and, in accordance with it, are required to file reports, proxy and information statements, and other information with the SEC. Such reports, proxy and information statements and other information can be inspected and copied at the SEC's Public Reference Rooms at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information about the operation of the Public Reference Rooms by calling the SEC at 1-800-SEC-0330. We electronically file reports, proxy and information statements, and other information with the SEC. The SEC maintains an Internet website that contains our electronically filed reports, proxy and information statements, and other information at <http://www.sec.gov>. We maintain an Internet website at [www.ambassadorsgoup.com/EPAX/default.htm](http://www.ambassadorsgoup.com/EPAX/default.htm). Our common stock is traded on the Nasdaq National Market under the symbol EPAX, and our SEC reports, proxy statements and other information concerning us also can be inspected at the offices of Nasdaq Operations, 1735 K Street, N.W., Washington, D.C. 20006.

## **INDEMNIFICATION**

Our Certificate of Incorporation allows us to indemnify our officers and directors to the fullest extent allowed under Delaware law. This includes indemnification for liability that may arise under the Securities Act of 1933. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling the registrant under these provisions, the registrant has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is therefore unenforceable.

No dealer, salesperson or other person has been authorized to give any information or to make any representations not contained in this prospectus in connection with the offering covered by this prospectus. If given or made, such information or representations must not be relied upon as having been authorized by Ambassadors Group, Inc., a selling stockholder, or any underwriter. This prospectus does not constitute an offer to sell, or a solicitation of any offer to buy, common stock in any jurisdiction to any person to whom, it is unlawful to make such an offer or solicitation in such jurisdiction. Neither the delivery of this prospectus nor any sale made under this prospectus shall, under any circumstances, create any implication that the information contained in this prospectus is correct as of any time after the date of the prospectus or that there has been no change in the affairs of Ambassadors Group, Inc. after the date of this prospectus.

**1,200,000 SHARES**

**AMBASSADORS GROUP, INC.**

**COMMON STOCK**

**PROSPECTUS**

\_\_\_\_\_,2003

## PART II

### ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth an itemized estimate of fees and expenses payable by the registrant in connection with the offering described in this registration statement:

SEC registration fee	\$ 1,750
Counsel fees and expenses	\$25,000
Accounting fees and expenses	\$ 2,000
Blue Sky fees and expenses	\$ 1,000
Transfer agent and registrar fees	\$ 1,000
Miscellaneous	\$ 2,000
Total	\$32,750

All of the above expenses will be paid by the registrant.

### ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Our Certificate of Incorporation provides that to the fullest extent permitted by Delaware Law, a director shall not be liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director. Under Delaware Law, liability of a director may not be limited (i) for any breach of the director's duty of loyalty to us or our stockholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) in respect of certain unlawful dividend payments or stock redemptions or repurchases and (iv) for any transaction from which the director derives an improper personal benefit. The effect of the provision of our Certificate of Incorporation is to eliminate our rights and of stockholders (through stockholders' derivative suits on our behalf) to recover monetary damages against a director for breach of the fiduciary duty of care as a director (including breaches resulting from negligent or grossly negligent behavior), except in the situations described in clauses (i) through (iv) above. This provision does not limit or eliminate our rights or of any stockholder to seek monetary relief such as an injunction or rescission in the event of a breach of a director's duty of care. In addition, our Certificate of Incorporation provides that we shall indemnify our directors and officers against losses incurred by any such person by reason of the fact that such person was acting in such capacity to the fullest extent permitted by law.

We have entered into agreements (the "Indemnification Agreements") with each of our directors and officers pursuant to which we will agree to indemnify such director or officer from claims, liabilities, damages, expenses, losses, costs, penalties or amounts paid in settlement incurred by such director or officer in or arising out of his capacity as a director, officer, employee and/or agent of Group or any other corporation of which he is a director or officer at our request to the maximum extent provided by applicable law. In addition, such director or officer will be entitled to an advance of expenses to the maximum extent authorized or permitted by law.

To the extent that the Board of Directors or the stockholders may in the future wish to limit or repeal our ability to provide indemnification as set forth in our Certificate of Incorporation, such repeal or limitation may not be effective as to directors and officers who are parties to the Indemnification Agreements, because their rights to full protection would be contractually assured by the Indemnification Agreements. It is anticipated that similar contracts may be entered into, from time to time, with our future directors and officers.

## ITEM 16. EXHIBITS

Exhibit No.	Description
4	Registration Rights Agreement between the Invemed Catalyst Fund, L.P. and the registrant
5	Opinion of Richman, Mann, Chizever, Phillips & Duboff
23.1	Consent of Richman, Mann, Chizever, Phillips & Duboff (included in Exhibit 5)
23.2	Consent of PricewaterhouseCoopers LLP
24	Power of Attorney (included on signature page of this Registration Statement)

## ITEM 17. UNDERTAKINGS

The undersigned registrant hereby undertakes:

- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.
- (2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.
- (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.
- (4) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.
- (5) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 15, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.



/s/ RAFER L. JOHNSON

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Rafer L. Johnson

Director

September 17, 2003

/s/ JOHN C. SPENCE

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John C. Spence

Director

September 17, 2003

/s/ JOSEPH J. UEBERROTH

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Joseph J. Ueberroth

Director

September 17, 2003

/s/RICHARD D.C. WHILDEN

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Richard D.C. Whilden

Director

September 17, 2003

## Exhibit Index

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REGISTRATION RIGHTS AGREEMENT

by and between

INVEMED CATALYST FUND, L.P.

and

AMBASSADORS GROUP, INC.

Dated July 29, 2003

REGISTRATION RIGHTS AGREEMENT (the "Agreement") dated July 29, 2003 by and between Invemed Catalyst Fund, L.P., a Delaware limited partnership ("ICF") and Ambassadors Group, Inc., a Delaware corporation (the "Company").

W I T N E S S E T H :

WHEREAS, ICF and each of John A. Ueberroth and Peter V. Ueberroth (collectively, the "Sellers") have entered into a Stock Purchase Agreement, dated as of July 23, 2003 (such Stock Purchase Agreement, as amended or otherwise modified from time to time, the "Purchase Agreement"), pursuant to which the Sellers (and the Sellers' children and/or trusts controlled by the Sellers) have sold, and ICF has purchased, an aggregate of 1,200,000 shares of Common Stock, par value \$0.01 per share, of the Company (the "Common Shares").

WHEREAS, in order to induce ICF to enter into the Stock Purchase Agreement, the board of directors of the Company has authorized and approved the grant by the Company of certain registration rights in respect of the Registrable Securities (as defined below) on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements contained herein, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I  
DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings:

"Affiliate" shall mean (i) with respect to any Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person, which shall be deemed to include for ICF, any general or

limited partner or member of ICF, and (ii) with respect to any individual, shall also mean the spouse, sibling, child, stepchild, grandchild, niece, nephew or parent of such Person, or the spouse thereof.

2.3. "Blackout Notice" shall have the meaning set forth in Section

2.3. "Blackout Period" shall have the meaning set forth in Section

"Common Shares" shall have the meaning set forth in the recitals hereto.

"Company" shall have the meaning set forth in the preamble.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations thereunder, or any successor statute.

"Holders" shall mean the Initial Holder and any of its Affiliates (for so long as any such Person remains an Affiliate), for so long as they own any Registrable Securities and such of its respective successors and permitted assigns (including any permitted transferees of Registrable Securities) who acquire or are otherwise the transferee of Registrable Securities, directly or indirectly, from such Initial Holder (or any subsequent Holder), for so long as such successors and permitted assigns own any Registrable Securities.

"Holders' Counsel" shall mean legal counsel representing the Holders of Registrable Securities participating in such registration.

"Initial Holder" shall mean ICF.

3.1(g). "Inspectors" shall have the meaning set forth in Section

"Majority Holders" shall mean one or more Holders of Registrable Securities who would hold a majority of the Registrable Securities then outstanding.

"Majority Holders of the Registration" shall mean, with respect to a particular registration, one or more Holders of Registrable Securities who would hold a majority of the Registrable Securities to be included in such registration.

"NASD" shall mean the National Association of Securities Dealers, Inc.

"Person" shall mean any individual, firm, partnership, corporation, trust, joint venture, association, joint stock company, limited liability company, unincorporated organization or any other entity or organization, including a government or agency or political subdivision thereof, and shall include any successor (by merger or otherwise) of such entity.

"Prospectus" shall mean the prospectus included in a Registration Statement (including, without limitation, any preliminary prospectus and any prospectus

that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated under the Securities Act), and any such Prospectus as amended or supplemented by any prospectus supplement, and all other amendments and supplements to such Prospectus, including post-effective amendments, and in each case including all material incorporated by reference (or deemed to be incorporated by reference) therein.

"Records" shall have the meaning set forth in Section 3.1(g).

"Registrable Securities" shall mean (i) the Common Shares sold pursuant to the Purchase Agreement and (ii) any other securities of the Company (or any successor or assign of the Company, whether by merger, consolidation, sale of assets or otherwise) which may be issued or issuable with respect to, in exchange for, or in substitution of, the Registrable Securities referenced in clause (i) above by reason of any dividend or stock split, combination of shares, merger, consolidation, recapitalization, reclassification, reorganization, sale of assets or similar transaction. As to any particular Registrable Securities, such securities shall cease to be Registrable Securities when (A) a registration statement with respect to the sale of such securities shall have been declared effective under the Securities Act and such securities shall have been disposed of in accordance with such registration statement, (B) such securities have been otherwise transferred, a new certificate or other evidence of ownership for them not bearing the legend restricting further transfer shall have been delivered by the Company and subsequent public distribution of them shall not require registration under the Securities Act, (C) such securities shall have ceased to be outstanding, or (D) such securities become eligible for sale under Rule 144(k) without any volume, manner of sale or other restrictions.

"Registration Expenses" shall mean any and all expenses incident to performance of or compliance with this Agreement by the Company and its subsidiaries, including, without limitation, (i) all SEC, stock exchange, NASD and other registration, listing and filing fees, (ii) all fees and expenses incurred in connection with compliance with state securities or blue sky laws and compliance with the rules of any stock exchange (including fees and disbursements of counsel in connection with such compliance and the preparation of a blue sky memorandum and legal investment survey), (iii) all expenses of any Persons retained by the Company in preparing or assisting in preparing, word processing, printing, distributing, mailing and delivering any Registration Statement, any Prospectus, transmittal letters, securities sales agreements, securities certificates and other documents relating to the performance of or compliance with this Agreement, (iv) the fees and disbursements of counsel for the Company, (v) the fees and disbursements of all independent public accountants (including the expenses of any audit and/or "cold comfort" letters) and the fees and expenses of other Persons, including experts, retained by the Company, and (vi) premiums and other costs of policies of insurance purchased by the Company as designated by the Board of Directors of the Company, if any, against liabilities arising out of the public offering of the Registrable Securities being registered.

"Registration Statement" shall mean any registration statement of the Company which covers any Registrable Securities and all amendments and supplements to any such Registration Statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference (or deemed to be incorporated by reference) therein.

"SEC" shall mean the Securities and Exchange Commission, or any successor agency having jurisdiction to enforce the Securities Act.

"Securities Act" shall mean the Securities Act of 1933, as amended from time to time, and the rules and regulations thereunder, or any successor statute.

"Shelf Registration Period" shall have the meaning set forth in Section 2.1(b).

"Shelf Registration Statement" shall have the meaning set forth in Section 2.1(a).

ARTICLE II  
REGISTRATION UNDER THE SECURITIES ACT

2.1 Shelf Registration Statement.

(a) The Company: (A) shall cause to be filed with the SEC, on or before September 30, 2003, a shelf registration statement (the "Shelf Registration Statement") on an appropriate form under the Securities Act, relating solely to the offer and sale of all the Registrable Securities by the Holders thereof from time to time in accordance with the methods of distribution specified by the Initial Holder as set forth in the Registration Statement and Rule 415 under the Securities Act; and (B) shall use its best efforts to have such Shelf Registration declared effective by the SEC as soon as practicable thereafter; provided, however, that no Holder (other than the Initial Holder) shall be entitled to have the Registrable Securities held by it covered by such Registration Statement unless such Holder agrees in writing to be bound by all the provisions of this Agreement applicable to such Holder.

(b) The Company shall use its best efforts to keep the Shelf Registration Statement continuously effective, supplemented and amended in order to permit the Prospectus included therein to be lawfully delivered by the Holders of the Registrable Securities through the date on which all of the Registrable Securities covered by such Shelf Registration may be sold pursuant to Rule 144(k) under the Securities Act (or any successor provision having similar effect) without any volume, manner of sale or other restrictions, or such shorter period that will terminate on the date on which all of the Registrable Securities have been sold pursuant to an effective registration statement (in any such case, such period being called the "Shelf Registration Period"); provided, however, that prior to the termination of such Shelf Registration Period, the Company

shall first furnish to each Holder of Registrable Securities participating in such Shelf Registration an opinion, in form and substance satisfactory to the Majority Holders of the Registration, of counsel for the Company satisfactory to the Majority Holders stating that such Registrable Securities are freely saleable pursuant to Rule 144(k) under the Securities Act (or any successor provision having similar effect) without any volume, manner of sale or other restrictions. The Company shall be deemed not to have used its best efforts to keep the Registration Statement effective during the Shelf Registration Period if it voluntarily takes any action that would result in Holders of the Registrable Securities covered thereby not being able to offer and sell such Registrable Securities during the Shelf Registration Period, unless such action is required by applicable law.

2.2 Expenses. The Company shall pay all Registration Expenses in connection with any Shelf Registration, whether or not such registration shall become effective and whether or not all Registrable Securities originally requested to be included in such registration are withdrawn or otherwise ultimately not included in such registration. Each Holder shall pay (x) all discounts and commissions payable to selling brokers, managers or other similar Persons engaged in the distribution of such Holder's Registrable Securities pursuant to any registration pursuant to this Section 2 and (y) all other of its expenses and costs (such as fees and expenses of Holder's Counsel) relating to the registration and/or offering other than registration expenses.

2.3 Postponements. The Company shall be entitled to require the Holders of Registrable Securities to discontinue the disposition of their securities covered by a Shelf Registration during any Blackout Period (as defined below) (i) if the board of directors of the Company determines in good faith that effecting such a registration or continuing such disposition at such time would have an adverse effect upon a proposed sale of all (or substantially all) of the assets of the Company or a merger, reorganization, recapitalization or similar current transaction materially affecting the capital, structure or equity ownership of the Company, or (ii) if the Company is in possession of material information which the board of directors of the Company determines in good faith is not in the best interests of the Company to disclose in a registration statement at such time, provided, however, that the Company may require the Holders of Registrable Securities to discontinue the disposition of their securities covered by a Shelf Registration only for a reasonable period of time not to exceed 90 days (or such earlier time as such transaction is consummated or no longer proposed or the material information has been made public (the "Blackout Period")). There shall not be more than one Blackout Period in any 12-month period.

The Company shall promptly notify the Holders in writing (a "Blackout Notice") of any decision to discontinue sales of Registrable Securities covered by a Shelf Registration pursuant to this Section 2.3 and shall include an undertaking by the Company to promptly notify the Holders as soon as a sale of Registrable Securities covered by a Shelf Registration may resume. In making any such determination to initiate or terminate a Blackout Period, the Company shall not be required to consult with or obtain the consent of any Holder, and any such determination shall be the Company's sole responsibility. Each Holder shall treat all notices received from the Company

pursuant to this Section 2.3 in the strictest confidence and shall not disseminate such information.

ARTICLE III  
REGISTRATION PROCEDURES

3.1 Obligations of the Company. Whenever the Company is required to effect the registration of Registrable Securities under the Securities Act pursuant to Section 2 of this Agreement, the Company shall, as expeditiously as possible:

(a) prepare and file with the SEC the requisite Registration Statement to effect such registration, which Registration Statement shall comply as to form in all material respects with the requirements of the applicable form and include all financial statements required by the SEC to be filed therewith, and the Company shall use its best efforts to cause such Registration Statement to become effective (provided, that the Company may discontinue any registration of its securities that are not Registrable Securities, and, under the circumstances specified in Section 2.3, its securities that are Registrable Securities); provided, however, that before filing a Registration Statement or Prospectus or any amendments or supplements thereto, or comparable statements under securities or blue sky laws of any jurisdiction, the Company shall (i) provide Holders' Counsel and any other Inspector (as defined in Section 3.1(g)) with an adequate and appropriate opportunity to review comment on, at the Holders' cost, such Registration Statement and each Prospectus included therein (and each amendment or supplement thereto or comparable statement) to be filed with the SEC, and (ii) not file any such Registration Statement or Prospectus (including any amendment or supplement thereto or comparable statement but excluding any filing made under the Exchange Act that is incorporated by reference therein) with the SEC to which Holder's Counsel, any selling Holder or any other Inspector shall have reasonably objected on the grounds that such filing does not comply in all material respects with the requirements of the Securities Act or of the rules or regulations thereunder;

(b) prepare and file with the SEC such amendments and supplements to such Registration Statement and the Prospectus used in connection therewith as may be necessary (i) to keep such Registration Statement effective, and (ii) to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by such Registration Statement, in each case until such time as all of such Registrable Securities have been disposed of (but not before the expiration of the 90-day period referred to in Section 4(3) of the Securities Act and Rule 174 thereunder, if applicable);

(c) furnish, without charge, to each selling Holder of such Registrable Securities of the securities covered by such Registration Statement, such number of copies of such Registration Statement, each amendment and supplement thereto (in each case including all exhibits), and the Prospectus included in such Registration Statement (including each preliminary Prospectus) in conformity with the requirements of the Securities Act, and other documents, as such selling Holder may reasonably request in order to facilitate the public sale or other disposition of the

Registrable Securities owned by such selling Holder (the Company hereby consenting to the use in accordance with applicable law of each such Registration Statement or amendment or post-effective amendment thereto) and each such Prospectus (or preliminary prospectus or supplement thereto) by each such selling Holder of Registrable Securities, in connection with the offering and sale of the Registrable Securities covered by such Registration Statement or Prospectus);

(d) prior to any public offering of Registrable Securities, use its best efforts to register or qualify all Registrable Securities and other securities covered by such Registration Statement under such other securities or blue sky laws of such jurisdictions as any selling Holder of Registrable Securities covered by such Registration Statement may reasonably request to enable such selling Holder to consummate the disposition in such jurisdictions of the Registrable Securities owned by such selling Holder and to continue such registration or qualification in effect in each such jurisdiction for as long as such Registration Statement remains in effect (including through new filings or amendments or renewals), and do any and all other acts and things which may be necessary or advisable to enable any such selling Holder to consummate the disposition in such jurisdictions of the Registrable Securities owned by such selling Holder; provided, however, that the Company shall not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3.1(d), (ii) subject itself to taxation in any such jurisdiction, or (iii) consent to general service of process in any such jurisdiction;

(e) use its best efforts to obtain all other approvals, consents, exemptions or authorizations from such governmental agencies or authorities as may be necessary to enable the selling Holders of such Registrable Securities to consummate the disposition of such Registrable Securities;

(f) promptly notify Holders' Counsel and each Holder of Registrable Securities covered by such Registration Statement: (i) when the Registration Statement, any pre-effective amendment, the Prospectus or any prospectus supplement related thereto or post-effective amendment to the Registration Statement has been filed and, with respect to the Registration Statement or any post-effective amendment, when the same has become effective, (ii) of any request by the SEC or any state securities or blue sky authority for amendments or supplements to the Registration Statement or the Prospectus related thereto or for additional information, (iii) of the issuance by the SEC of any stop order suspending the effectiveness of the Registration Statement or the initiation or threat of any proceedings for that purpose, (iv) of the receipt by the Company of any notification with respect to the suspension of the qualification of any Registrable Securities for sale under the securities or blue sky laws of any jurisdiction or the initiation of any proceeding for such purpose, (v) of the existence of any fact of which the Company becomes aware or the happening of any event which results in (A) the Registration Statement containing an untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make any statements therein not misleading, or (B) the Prospectus included in such Registration Statement containing an untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make any statements therein, in the light of

the circumstances under which they were made, not misleading, and (vi) of the Company's reasonable determination that a post-effective amendment to a Registration Statement would be appropriate or that there exists circumstances not yet disclosed to the public which make further sales under such Registration Statement inadvisable pending such disclosure and post-effective amendment; and, if the notification relates to an event described in any of the clauses (ii) through (vi) of this Section 3.1(f), the Company shall promptly prepare a supplement or post-effective amendment to such Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that (1) such Registration Statement shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (2) as thereafter delivered to the purchasers of the Registrable Securities being sold thereunder, such Prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein in the light of the circumstances under which they were made not misleading (and shall furnish to each such Holder, a reasonable number of copies of such Prospectus so supplemented or amended); and if the notification relates to an event described in clause (iii) of this Section 3.1(f), the Company shall take all reasonable action required to prevent the entry of such stop order or to remove it if entered;

(g) make available for inspection by any selling Holder of Registrable Securities, Holders' Counsel and any attorney, accountant or other agent retained by any such seller (each, an "Inspector" and, collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of the Company and any subsidiaries thereof as may be in existence at such time (collectively, the "Records") as shall be necessary, in the opinion of such Holders' counsel, to enable them to exercise their due diligence responsibility and to conduct a reasonable investigation within the meaning of the Securities Act, and cause the Company's and any subsidiaries' officers, directors and employees, and the independent public accountants of the Company, to supply all information reasonably requested by any such Inspectors in connection with such Registration Statement;

(h) obtain an opinion from the Company's counsel and a "cold comfort" letter from the Company's independent public accountants who have certified the Company's financial statements included or incorporated by reference in such Registration Statement, in each case dated the effective date of such Registration Statement, in customary form and covering such matters as are customarily covered by such opinions and "cold comfort" letters delivered to underwriters in underwritten public offerings, which opinion and letter shall be reasonably satisfactory to the Majority Holders, and furnish to each Holder participating in the offering a copy of such opinion and letter addressed to such Holder;

(i) provide and cause to be maintained a transfer agent and registrar for all such Registrable Securities covered by such Registration Statement not later than the effectiveness of such Registration Statement;

(j) otherwise use its best efforts to comply with all applicable rules and regulations of the SEC and any other governmental agency or authority having jurisdiction over the offering, and make available to its security holders, as soon as reasonably practicable but no later than 90 days after the end of any 12-month period, an earnings statement commencing with the first day of the Company's calendar month next succeeding each sale of Registrable Securities after the effective date of a Registration Statement, which statement shall cover such 12-month periods, in a manner which satisfies the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder;

(k) if so requested by the Majority Holders of the Registration, use its best efforts to cause all such Registrable Securities to be listed (i) on each national securities exchange on which the Company's securities are then listed or, (ii) if securities of the Company are not at the time listed on any national securities exchange (or, if the listing of Registrable Securities is not permitted under the rules of each national securities exchange on which the Company's securities are then listed), on a national securities exchange or The Nasdaq Stock Market's National Market;

(l) keep each selling Holder of Registrable Securities advised in writing as to the initiation and progress of any registration under Section 2 hereunder;

(m) enter into and perform customary agreements and provide officers' certificates and other customary closing documents;

(n) cooperate with each selling Holder of Registrable Securities participating in the disposition of such Registrable Securities and such selling Holder's counsel in connection with any filings required to be made with the NASD;

(o) furnish to each Holder participating in the offering, without charge, at least one manually-signed copy of the Registration Statement and any post-effective amendments thereto, including financial statements and schedules, all documents incorporated therein by reference and all exhibits (including those deemed to be incorporated by reference);

(p) cooperate with the selling Holders of Registrable Securities to facilitate the timely preparation and delivery of certificates not bearing any restrictive legends representing the Registrable Securities to be sold and cause such Registrable Securities to be issued in such denominations and registered in accordance with the instructions of the selling Holders of Registrable Securities at least three business days prior to any sale of Registrable Securities; and

(q) use its best efforts to take all other steps necessary to expedite or facilitate the registration and disposition of the Registrable Securities contemplated hereby.

3.2 Seller Information. The Company may require each selling Holder of Registrable Securities as to which any registration is being effected to furnish to the Company such information regarding such Holder, such Holder's Registrable Securities and such Holder's intended method of disposition as the Company may from time to time

reasonably request in writing; provided that such information shall be used only in connection with such registration.

If any Registration Statement or comparable statement under "blue sky" laws refers to any Holder by name or otherwise as the Holder of any securities of the Company, then such Holder shall have the right to require (i) the insertion therein of language, in form and substance satisfactory to such Holder, to the effect that the holding by such Holder of such securities is not to be construed as a recommendation by such Holder of the investment quality of the Company's securities covered thereby and that such holding does not imply that such Holder will assist in meeting any future financial requirements of the Company, and (ii) in the event that such reference to such Holder by name or otherwise is not in the judgment of the Company, as advised by counsel, required by the Securities Act or any similar federal statute or any state "blue sky" or securities law then in force, the deletion of the reference to such Holder.

3.3 Notice to Discontinue. Each Holder of Registrable Securities agrees by acquisition of such Registrable Securities that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 3.1(f)(ii) through (vii), such Holder shall forthwith discontinue disposition of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until such Holder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 3.1(f) and, if so directed by the Company, such Holder shall deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in such Holder's possession of the Prospectus covering such Registrable Securities which is current at the time of receipt of such notice.

#### ARTICLE IV INDEMNIFICATION; CONTRIBUTION

4.1 Indemnification by the Company. The Company agrees to indemnify and hold harmless, to the fullest extent permitted by law, each Holder of Registrable Securities, its officers, directors, partners, members, shareholders, employees, Affiliates and agents (collectively, "Agents") and each Person who controls such Holder (within the meaning of the Securities Act) and its Agents with respect to each registration which has been effected pursuant to this Agreement, against any and all losses, claims, damages or liabilities, joint or several, actions or proceedings (whether commenced or threatened) in respect thereof, and expenses (as incurred or suffered and including, but not limited to, any and all expenses incurred in investigating, preparing or defending any litigation or proceeding, whether commenced or threatened, and the reasonable fees, disbursements and other charges of legal counsel) in respect thereof (collectively, "Claims"), insofar as such Claims arise out of or are based upon any untrue or alleged untrue statement of a material fact contained in any Registration Statement or Prospectus (including any preliminary, final or summary prospectus and any amendment or supplement thereto) related to any such registration or any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or any violation by the Company of the Securities Act or any rule or regulation thereunder applicable to the Company and relating to action or inaction

required of the Company in connection with any such registration, or any qualification or compliance incident thereto; provided, however, that the Company will not be liable in any such case to the extent that any such Claims arise out of or are based upon any untrue statement or alleged untrue statement of a material fact or omission or alleged omission of a material fact so made in reliance upon and in conformity with written information furnished to the Company by such Holder specifically for use in a Registration Statement. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such indemnified party and shall survive the transfer of such securities by such Holder.

4.2 Indemnification by Holders. Each Holder, if Registrable Securities held by it are included in the securities as to which a registration is being effected, agrees to, severally and not jointly, indemnify and hold harmless, to the fullest extent permitted by law, the Company, its officers, directors, employees, and Affiliates and each Person who controls the Company (within the meaning of the Securities Act) and its Agents against any and all Claims, insofar as such Claims arise out of or are based upon any untrue or alleged untrue statement of a material fact contained in any Registration Statement or Prospectus (including any preliminary, final or summary prospectus and any amendment or supplement thereto) related to such registration, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by such Holder specifically for use in a Registration Statement; provided, however, that the aggregate amount which any such Holder shall be required to pay pursuant to this Section 4.2 shall in no event be greater than the amount of the net proceeds received by such Holder upon the sale of the Registrable Securities pursuant to the Registration Statement giving rise to such Claims less all amounts previously paid by such Holder with respect to any such Claims. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such indemnified party and shall survive the transfer of such securities by such Holder.

4.3 Conduct of Indemnification Proceedings. Promptly after receipt by an indemnified party of notice of any Claim or the commencement of any action or proceeding involving a Claim under this Section 4, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party pursuant to Section 4, (i) notify the indemnifying party in writing of the Claim or the commencement of such action or proceeding; provided, that the failure of any indemnified party to provide such notice shall not relieve the indemnifying party of its obligations under this Section 4, except to the extent the indemnifying party is materially and actually prejudiced thereby and shall not relieve the indemnifying party from any liability which it may have to any indemnified party otherwise than under this Section 4, and (ii) permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party; provided, however, that any indemnified party shall have the right to employ separate counsel and to participate in the defense of such claim, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (A) the indemnifying party has agreed in writing to pay such fees and

expenses, (B) the indemnifying party shall have failed to assume the defense of such claim and employ counsel reasonably satisfactory to such indemnified party within 10 days after receiving notice from such indemnified party that the indemnified party believes it has failed to do so, (C) in the reasonable judgment of any such indemnified party, based upon advice of counsel, a conflict of interest may exist between such indemnified party and the indemnifying party with respect to such claims (in which case, if the indemnified party notifies the indemnifying party in writing that it elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such claim on behalf of such indemnified party) or (D) such indemnified party is a defendant in an action or proceeding which is also brought against the indemnifying party and reasonably shall have concluded that there may be one or more legal defenses available to such indemnified party which are not available to the indemnifying party. No indemnifying party shall be liable for any settlement of any such claim or action effected without its written consent, which consent shall not be unreasonably withheld. In addition, without the consent of the indemnified party (which consent shall not be unreasonably withheld), no indemnifying party shall be permitted to consent to entry of any judgment with respect to, or to effect the settlement or compromise of any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim), unless such settlement, compromise or judgment (1) includes an unconditional release of the indemnified party from all liability arising out of such action or claim, (2) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party, and (3) does not provide for any action on the part of any party other than the payment of money damages which is to be paid in full by the indemnifying party.

4.4 Contribution. If the indemnification provided for in Section 4.1 or 4.2 from the indemnifying party for any reason is unavailable to (other than by reason of exceptions provided therein), or is insufficient to hold harmless, an indemnified party hereunder in respect of any Claim, then the indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such Claim in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and the indemnified party, on the other hand, in connection with the actions which resulted in such Claim, as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been made by, or relates to information supplied by, such indemnifying party or indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action. If, however, the foregoing allocation is not permitted by applicable law, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative faults but also the relative benefits of the indemnifying party and the indemnified party as well as any other relevant equitable considerations.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 4.4 were determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by a party as a result of any Claim referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth in Section 4.3, any legal or other fees, costs or expenses reasonably incurred by such party in connection with any investigation or proceeding. Notwithstanding anything in this Section 4.4 to the contrary, no indemnifying party (other than the Company) shall be required pursuant to this Section 4.4 to contribute any amount in excess of the net proceeds received by such indemnifying party from the sale of the Registrable Securities pursuant to the Registration Statement giving rise to such Claims, less all amounts previously paid by such indemnifying party with respect to such Claims. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(a) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

4.5 Other Indemnification. Indemnification similar to that specified in the preceding Sections 4.1 and 4.2 (with appropriate modifications) shall be given by the Company and each selling Holder of Registrable Securities with respect to any required registration or other qualification of securities under any Federal or state law or regulation of any governmental authority, other than the Securities Act. The indemnity agreements contained herein shall be in addition to any other rights to indemnification or contribution which any indemnified party may have pursuant to law or contract.

4.6 Indemnification Payments. The indemnification and contribution required by this Section 4 shall be made by periodic payments of the amount thereof during the course of any investigation or defense, as and when bills are received or any expense, loss, damage or liability is incurred.

ARTICLE V  
GENERAL

5.1 Adjustments Affecting Registrable Securities. The Company agrees that it shall not effect or permit to occur any combination or subdivision of shares which would materially adversely affect the ability of the Holder of any Registrable Securities to include such Registrable Securities in any registration contemplated by this Agreement or the marketability of such Registrable Securities in any such registration.

5.2 Registration Rights to Others. The Company is not party to any agreement with respect to its securities granting any registration rights to any Person. If the Company shall at any time hereafter provide to any holder of any securities of the Company rights with respect to the registration of such securities under the Securities Act, such rights shall not be in conflict with or adversely affect any of the rights provided in this Agreement to the Holders.

5.3 Availability of Information. The Company covenants that it shall timely file any reports required to be filed by it under the Securities Act or the Exchange Act (including, but not limited to, the reports under Sections 13 and 15(d) of the Exchange Act referred to in subparagraph (c) of Rule 144 under the Securities Act), and that it shall take such further action as any Holder of Registrable Securities may reasonably request, all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (i) Rule 144 under the Securities Act, as such rule may be amended from time to time, or (ii) any other rule or regulation now existing or hereafter adopted by the SEC. Upon the request of any Holder of Registrable Securities, the Company shall deliver to such Holder a written statement as to whether it has complied with such requirements.

5.4 Amendments and Waivers. The provisions of this Agreement may not be amended, modified, supplemented or terminated, and waivers or consents to departures from the provisions hereof may not be given, without the written consent of the Company and the Holders holding more than 50% of the Registrable Securities then outstanding; provided, however, that no such amendment, modification, supplement, waiver or consent to departure shall reduce the aforesaid percentage of Registrable Securities without the written consent of all of the Holders of Registrable Securities; and provided, further, that nothing herein shall prohibit any amendment, modification, supplement, termination, waiver or consent to departure the effect of which is limited only to those Holders who have agreed to such amendment, modification, supplement, termination, waiver or consent to departure.

5.5 Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand delivery, telecopier, any courier guaranteeing overnight delivery or first class registered or certified mail, return receipt requested, postage prepaid, addressed to the applicable party at the address set forth below or such other address as may hereafter be designated in writing by such party to the other parties in accordance with the provisions of this Section:

If to the Company, to:

Ambassadors Group, Inc.  
Dwight D. Eisenhower Building  
110 S. Ferrall Street  
Spokane, WA 99202  
Attn: Jeffrey D. Thomas, Chief Executive Officer  
Telecopy: (509) 536-1996  
Telephone: (509) 534-6200

With a copy to:

Richman, Mann, Chizever, Phillips & Duboff, PLC  
9601 Wilshire Boulevard  
Penthouse  
Beverly Hills, California 90210  
Attention: Gerald M. Chizever, Esq.  
Telecopy: (310) 274-1114  
Telephone: (310) 274-8300

If to the Initial Holder, to:

Invemed Catalyst Fund, L.P.  
375 Park Avenue, Suite 2205  
New York, NY 10152  
Attn: Suzanne Present  
Telecopy: (212) 813-0249  
Telephone: (212) 843-0542

With a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison  
1285 Avenue of the Americas  
New York, New York 10019-6064  
Attn: Douglas A. Cifu, Esq.  
Telecopy: (212) 492-0436  
Telephone: (212) 373-3436

If to any subsequent Holder, to the address of such Person set forth in the records of the Company.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; when receipt is acknowledged, if telecopied; on the next business day, if timely delivered to a courier guaranteeing overnight delivery; and five days after being deposited in the mail, if sent first class or certified mail, return receipt requested, postage prepaid.

5.6 Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the parties hereto and other Holders.

5.7 Counterparts. This Agreement may be executed in two or more counterparts, each of which, when so executed and delivered, shall be deemed to be an original, but all of which counterparts, taken together, shall constitute one and the same instrument. Any party may execute and deliver a counterpart to this Agreement by delivering by facsimile or electronic mail transmission a signature page of this Agreement signed by such party, and such facsimile or electronic mail signature shall be treated in all respects as having the same effect as an original signature.

5.8 Descriptive Headings, Etc. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning of terms contained herein. Unless the context of this Agreement otherwise requires: (1) words of any gender shall be deemed to include each other gender; (2) words using the singular or plural number shall also include the plural or singular number, respectively; (3) the words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section and paragraph references are to the Sections and paragraphs of this Agreement unless otherwise specified; (4) the word "including" and words of similar import when used in this Agreement shall mean "including, without limitation," unless otherwise specified; (5) "or" is not exclusive; and (6) provisions apply to successive events and transactions.

5.9 Severability. In the event that any one or more of the provisions, paragraphs, words, clauses, phrases or sentences contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision, paragraph, word, clause, phrase or sentence in every other respect and of the other remaining provisions, paragraphs, words, clauses, phrases or sentences hereof shall not be in any way impaired, it being intended that all rights, powers and privileges of the parties hereto shall be enforceable to the fullest extent permitted by law.

5.10 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York (without giving effect to the conflict of laws principles thereof).

5.11 Remedies; Specific Performance. The parties hereto acknowledge that money damages would not be an adequate remedy at law if any party fails to perform in any material respect any of its obligations hereunder, and accordingly agree that each party, in addition to any other remedy to which it may be entitled at law or in equity, shall be entitled to seek to compel specific performance of the obligations of any other party under this Agreement, without the posting of any bond, in accordance with the terms and conditions of this Agreement in any court of the United States or any State thereof having jurisdiction, and if any action should be brought in equity to enforce any of the provisions of this Agreement, none of the parties hereto shall raise the defense that there is an adequate remedy at law. Except as otherwise provided by law, a delay or omission by a party hereto in exercising any right or remedy accruing upon any such breach shall not impair the right or remedy or constitute a waiver of or acquiescence in any such breach. No remedy shall be exclusive of any other remedy. All available remedies shall be cumulative.

5.12 Entire Agreement. This Agreement and the Purchase Agreement are intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, representations, warranties, covenants or undertakings relating to such subject matter, other than those set forth or referred to herein or in the Purchase Agreement. This

Agreement and the Purchase Agreement supersede all prior agreements and understandings between the Company and the other parties to this Agreement with respect to such subject matter.

5.13 Nominees for Beneficial Owners. In the event that any Registrable Securities are held by a nominee for the beneficial owner thereof, the beneficial owner thereof may, at its election in writing delivered to the Company, be treated as the holder of such Registrable Securities for purposes of any request or other action by any holder or holders of Registrable Securities pursuant to this Agreement or any determination of any number or percentage of shares of Registrable Securities held by any holder or holders of Registrable Securities contemplated by this Agreement. If the beneficial owner of any Registrable Securities so elects, the Company may require assurances reasonably satisfactory to it of such owner's beneficial ownership of such Registrable Securities.

5.14 Consent to Jurisdiction; Waiver of Jury. Each party to this Agreement hereby irrevocably and unconditionally agrees that any legal action, suit or proceeding arising out of or relating to this Agreement or any agreements or transactions contemplated hereby may be brought in any federal court of the Southern District of New York or any state court located in New York County, State of New York, and hereby irrevocably and unconditionally expressly submits to the personal jurisdiction and venue of such courts for the purposes thereof and hereby irrevocably and unconditionally waives any claim (by way of motion, as a defense or otherwise) of improper venue, that it is not subject personally to the jurisdiction of such court, that such courts are an inconvenient forum or that this Agreement or the subject matter may not be enforced in or by such court. Each party hereby irrevocably and unconditionally consents to the service of process of any of the aforementioned courts in any such action, suit or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the address set forth or provided for in Section 5.5 of this Agreement, such service to become effective 10 days after such mailing. Nothing herein contained shall be deemed to affect the right of any party to serve process in any manner permitted by law or commence legal proceedings or otherwise proceed against any other party in any other jurisdiction to enforce judgments obtained in any action, suit or proceeding brought pursuant to this Section. Each of the parties hereby irrevocably waives trial by jury in any action, suit or proceeding, whether at law or equity, brought by any of them in connection with this Agreement or the transactions contemplated hereby.

5.15 Further Assurances. Each party hereto shall do and perform or cause to be done and performed all such further acts and things and shall execute and deliver all such other agreements, certificates, instruments and documents as any other party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

5.16 No Inconsistent Agreements. The Company will not hereafter enter into any agreement which is inconsistent with the rights granted to the Holders in this Agreement.

5.17 Construction. The Company and the Holders acknowledge that each of them has had the benefit of legal counsel of its own choice and has been afforded an opportunity to review this Agreement with its legal counsel and that this Agreement shall be construed as if jointly drafted by the Company and the Holders.

[SIGNATURES ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first written above.

INVEMED CATALYST FUND, L.P.

By: Invemed Catalyst GenPar, LLC,  
its general partner

By: Gladwyne Catalyst GenPar, LLC,  
its managing member

-----  
Name: Suzanne Present  
Title: Member

AMBASSADORS GROUP, INC.

By:

-----  
Name: Jeffrey D. Thomas  
Title: Chief Executive Officer

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September 17, 2003

Ambassadors Group, Inc.  
Dwight D. Eisenhower Building  
110 S. Ferrall Street  
Spokane, Washington 99202

Re: Common Stock of Ambassadors Group, Inc.

We have acted as counsel to Ambassadors Group, Inc., a Delaware Corporation (the "Company"), in connection with the preparation and filing with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, of the Company's registration statement on Form S-3 (the "Registration Statement"), relating to the registration for resale of 1,200,000 shares of the Company's Common Stock, \$.01 value per share (the "Common Shares").

In arriving at the opinions expressed below, we have reviewed the Registration Statement and the Exhibits thereto. In addition, we have reviewed the originals or copies certified or otherwise identified to our satisfaction of all such corporate records of the Company and such other instruments and other certificates of public officials, officers and representatives of the Company and such other persons, and we have made such investigations of law, as we have deemed appropriate as a basis for the opinions expressed below. In rendering the opinions expressed below, we have assumed that the signatures on all documents that we have reviewed are genuine and that the Common Shares will conform in all material respects to the description thereof set forth in the Registration Statement.

Based on the foregoing, we are of the opinion that the Common Shares issued have been duly authorized by all necessary corporate action on the part of the Company and were validly issued, fully paid, and nonassessable.

The foregoing opinions are limited to the General Corporation Law of the State of Delaware.

We hereby consent to the filing of this opinion as Exhibit 5 to the Registration Statement and to the use of our name under the caption "Legal Matters" in the Registration Statement and in the Prospectus included therein.

Very truly yours,

/s/ RICHMAN, MANN, CHIZEVER, PHILLIPS & DUBOFF  
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Consent of Independent Accountants

We hereby consent to the incorporation by reference in this Registration Statement on Form S-3 of our report dated February 5, 2003 relating to the financial statements, which appears in Ambassadors Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2002. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

Portland, Oregon  
September 17, 2003