



# AMBASSADOR CAPITAL MANAGEMENT

## Investment Management Services

*Form ADV, PART 2A -- Brochure*

**This brochure provides information about the qualifications and business practice of Ambassador Capital Management (“Ambassador”). If you have any questions about the contents of this brochure, please contact us at [webmail@ambassador-capital.com](mailto:webmail@ambassador-capital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Ambassador also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Ambassador is 110999.**

**Ambassador is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**

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The date of this Brochure is January 15, 2014

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## Item 2 -- Material Changes

This brochure is prepared in accordance with the SEC's "Uniform Requirements for the Investment Adviser Brochure and Brochure Supplements". Summary of Material Changes to this brochure from March 2013 to January 2014 are as follows:

- Item 9 was expanded to disclose recent SEC involvement.

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## Item 4 -- Advisory Business

Ambassador Capital Management was founded in 1998 by Brian T. Jeffries, and since that time has offered investment advisory services. At present, our principal owners (those who own 25% or more of our firm) are Brian T. Jeffries and Gregory A. Prost. Our principal office is located in Detroit, Michigan.

We offer discretionary fixed income portfolio management services to clients who are municipalities, pension and profit sharing plans, charitable organizations, corporations, financial institutions, insurance companies, and mutual funds. We limit our investment advice to fixed income securities, such as bonds, notes and bills issued by the U.S. government or its agencies, commercial paper and debt instruments issued by corporations (including financial institutions), and obligations of state and local governments. Portfolio investment decisions are made according to the investment objectives and risk tolerances of each client, and also the client's stated investment restrictions (if any) and special circumstances. As a relationship-oriented firm, we emphasize individualized attention to a client's assets and investment needs. Investment advisory agreements may be terminated at any time by either the client or us upon written notice.

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As of December 31, 2012, we managed \$1,332,501,048 of client assets on a discretionary basis and \$0 of client assets on a non-discretionary basis.

## **Item 5 -- Fees and Compensation**

We charge fees based upon the amount of a client's assets that we manage. Fees are billed in arrears, based on the net asset value of a client's account under management as of the last day of the billing period. Billing periods (typically monthly or quarterly) are established during consultation with each new client. Fees charged to new clients will also be pro-rated for the number of days in the billing period during which the new client's account was opened. If a client terminates the relationship with us other than at the end of a billing period, the fees for the billing period in which termination occurred will be calculated through the date of termination based on the assets under management on that date. We value the securities in a client's account that are listed or traded on a national securities exchange on the valuation date at the closing price on the principal exchange where the security is traded. We value other securities in a manner that we believe in good faith reflects the security's fair market value. We prefer to have our clients authorize the custodian to pay these fees directly from their account, in compliance with applicable SEC and state rules that permit this type of arrangement. However, if clients prefer, we will bill them for fees incurred on a regular basis.

Our standard fee schedule is as follows:

Fixed income only:

First \$25,000,000 of assets.....	0.25%
\$25,000,001 to and including \$50,000,000 of assets .....	0.20%
\$50,000,001 to and including \$100,000,000 of assets .....	0.15%
Over \$100,000,000 of assets .....	Negotiable

Our current minimum annual fee is \$20,000. In certain circumstances, we may make an exception to the standard fee schedule based on responsibilities involved, prior relationships and/or other relevant considerations. In such cases, a lower or higher fee may result.

In addition to the account fee described above, assets invested in mutual funds (including ETF's) are also subject to various other fees and expenses that are described in the fund's prospectus. These fees and expenses are paid by clients as shareholders of the funds. Additional expenses associated with investments in mutual funds typically include fees for such services as investment advisory, administration, distribution, transfer agent, custodian, legal and audit.

## **Item 6 -- Performance-Based Fees and Side-By-Side Management**

We do not charge or accept "performance-based fees", which are fees based on a share of capital gains on, or capital appreciation of, the assets of a client.

## **Item 7 -- Types of Clients**

We offer discretionary fixed income portfolio management services to institutions: municipalities, pension and profit sharing plans, charitable organizations, corporations, financial institutions, insurance companies, and mutual funds. We typically require a minimum initial account size of \$5,000,000 or greater.

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## **Item 8 -- Methods of Analysis, Investment Strategies and Risk of Loss**

Ambassador aims to achieve performance consistency through the combined use of diversified investment strategies and disciplined analysis. Our process is designed in part to determine the direction and placement of the economy within its movement through a cycle. In large part, the economy's placement along that cycle is the largest determinant of performance opportunities. Quantitative analysis is a foundational element of our process, but not the dominant factor in the process. Our process identifies fundamental growth opportunities within the broad core fixed income markets, while overlaying a value component to quantify risk. The fundamental analysis concentrates on identifying quality and strength in the economy, bond sectors and individual issuers. Value is measured in terms of relative comparisons and exposure to downside risk. Regardless of our past experience, investing in fixed income securities involves both credit and interest rate risks, which are risks that a client should be prepared to bare.

We consistently look for opportunities to upgrade the quality of the portfolio without a corresponding increase in overall risk. Our analysis is designed to identify investments that are mispriced relative to value within the marketplace that we feel are exploitable. The analysis, which begins with a big, macro view, is consistently applied to maturity, sector and individual security relationships to exploit movement in relative value as measured by various statistical modeling techniques (standard deviation in particular).

We believe that it is difficult to consistently make accurate long-term interest rate predictions. As a result, we generally maintain the duration (interest rate sensitivity) of our portfolios close to their respective benchmark index levels. However, the yield curve (yield levels for maturities from 0 to 30 years) has a long-term relationship with the movement of the economy along the economic cycle and offers us an attractive means of adding Alpha while having limited downside risk. We compare the yield curve shape versus our estimate of the strength of the economy. Value in the curve is measured using statistical measurements to compare historical averages.

Sector allocation and maturity structure decisions are heavily influenced by the broad, macro approach of our overall strategy. Issuer selection is heavily influenced by a micro, disciplined approach to identifying opportunities, with value measured in terms of relative comparisons and exposure to risk, particularly large downside risk. Ambassador is biased toward asset rich issuers and biased against brokerage firms and money center banks. As a result, we generally maintain holdings in high quality issuers in industries that exhibit long term stability.

Ambassador's research combines both credit risk and default risk to determine an issuer's level of quality and liquidity. Our credit risk analysis utilizes macroeconomic modeling to identify and manage the various risk factors associated with the underlying credit. Approximately 75% of our research is conducted in-house utilizing data feeds from numerous independent and widely used rating, economic, and analytical sources (Bloomberg, FDIC, Moody's, etc.). While company visits are rare, in-house calls with representatives from government and government-sponsored agencies are not rare.

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Due diligence is performed on all securities prior to being added to a client's investment portfolio and continues throughout the holding period. For securities that possess credit risk, it starts with fundamental analysis that focuses on leverage, profitability, liquidity and efficiency. Equity market data is then introduced with a focus on volatility, peer comparison and real time pricing. Ambassador, through our proprietary model known as Ambassador Credit Score (ACS), generates a credit rating of the company and compares it to those assigned by the Nationally Recognized Statistical Ratings Organizations (NRSROs). Lastly, an assessment of value is performed by comparing the current yield spreads to peers, other alternatives and historical data. The ACS model is based on earlier versions of popular credit scoring and default models. The ACS combines the best attributes of those models and also incorporates a level of expertise and discipline to create a complete fundamental credit process. The model is driven by fundamental financial data as well as equity market information to determine corporate credit risk. Through our intensive credit research process, a universe of over 1,000 securities from the Barclays Universal Index is screened through the ACS. Each security is given fundamental and technical scores which serve to illustrate the downside risk, credit quality, and relative value of the issuer and corresponding security.

We use our own proprietary models to measure overall risk in our client portfolios. Risk management involves the use of duration to measure interest rate sensitivity, duration-squared to measure placement along the yield curve, and sector weightings to measure exposure to credit. All three risk measures are analyzed at both a macro and micro level. We seek to mitigate interest rate risk through a close matching of the index and a range of +/- 10%. We also seek to mitigate credit risk through the use of small allocation sizes. Lastly, we stress our portfolios under various economic scenarios to identify any other potential risks to the portfolio.

Ambassador typically owns securities which are held in the index that we are measured against. Exceptions to that include collateral mortgage obligations (CMOs) and securities that have a maturity of less than a year that we use for yield curve strategies or liquidity needs. Often times we purchase CMOs as a substitute to pass-through securities as we prefer the added certainty concerning the timing of cash flows and the duration stability CMOs offer. We do not use leverage in any of our positions.

## **Item 9 -- Disciplinary Information**

Prior to November 26, 2013, neither our firm nor any of our management persons had been involved in any legal or disciplinary proceedings during the past 10 years that is material to a client's (or a prospective client's) evaluation of our advisory business or the integrity of our management. Specifically, there had been no criminal or civil actions involving our firm or our management persons, there had been no administrative proceedings before the United States Securities and Exchange Commission or any other foreign, federal or state regulatory agency, and there had been no proceedings by a self-regulatory organization involving our firm or any of our management persons.

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On November 26, 2013, the Securities and Exchange Commission (SEC) issued an Order Instituting Proceedings alleging a money market fund managed by Ambassador failed to comply with certain requirements under Rule 2a-7 under the Investment Company Act, allegedly resulting in violations of Sections 206(1) and (2) of the Investment Advisers Act and Sections 31(a), 34(b) and 35(d) of the Investment Company Act and Rules 22c-1, 31(a)-1 and 38a-1 thereunder.

Ambassador Capital Management, LLC and Derek H. Oglesby filed answers on January 10, 2014 denying the allegations in the Order Instituting Proceedings. On January 7, 2014 Administrative Law Judge Cameron Elliot entered an Order setting a trial to commence on May 5, 2014.

### **Item 10 -- Other Financial Industry Activities and Affiliates**

Ambassador is not registered as a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of any of the foregoing entities, nor do we have an application pending to register as any of such entities. In addition, none of our management persons are registered representatives of a broker-dealer, and none are registered as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of any of the foregoing entities, nor do any of our management persons have an application for such registration pending.

We do not recommend or select other investment advisers for our clients, nor do we have any business relationships with any other investment advisers that would create a material conflict of interest.

### **Item 11 -- Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Ambassador has adopted a Code of Ethics that complies with SEC Rule 204A-1. This Code governs the personal securities trading activities of our “access persons”, which include any owner, manager, employee or other person who provides investment advice on our behalf and who is subject to our supervision and/or control. Our Code recognizes that all supervised persons owe a fiduciary duty to our clients, including a duty to conduct their personal securities transactions in a manner that does not interfere with the transactions of a client or otherwise take unfair advantage of the relationship with a client. The Code contains specific principles of conduct, prohibits certain types of securities trading activities by an access person, requires pre-clearance for certain securities transactions by an access person and requires “access persons” to file an initial holdings report and quarterly transactions reports with our Chief Compliance Officer. A copy of our Code of Ethics will be provided to any client upon request, without charge.

We do not buy or sell for client accounts any securities in which we or any of our “related persons” have a material financial interest. From time to time, we may execute cross trades between clients, and when doing so, we will utilize an independent broker for execution of the trade and to determine a fair price for the security involved.

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Our members, officers, or employees may purchase and/or hold securities that are purchased in client accounts. Such personal securities transactions are subject to our Code of Ethics and internal compliance procedures, which include disclosure and reporting requirements designed to prevent actual or potential conflicts of interest with transactions recommended or executed in client accounts. We require all employees who maintain brokerage account(s) to provide compliance personnel with confirmations relating to transactions in their accounts and periodic statements for the same. In general, our members, officers and employees may only purchase or sell a security that has been purchased or sold for a client account after we have completed all transactions for the clients' accounts.

## **Item 12 -- Brokerage Practices**

A. Selecting or Recommending Broker-Dealers. Depending on the terms of the investment advisory agreement, and subject to client restrictions, we may be given authority to make the following determinations without obtaining prior consent of the client:

- which securities are to be bought or sold;
- the total amount of securities that will be bought or sold;
- the broker or dealer through which securities will be bought or sold; and
- the commission rates or prices at which securities transactions are affected.

Brokers and dealers are selected to effect securities transactions for client accounts on the basis of our ability to obtain "best execution" after considering a number of factors, including (but not limited to) the execution capabilities necessary to the transaction, the importance of speed, efficiency and confidentiality, the broker-dealers apparent familiarity with from whom or to whom particular securities may be purchased or sold and the reputation and perceived soundness of the broker or dealer.

We do not have any duty or obligation to seek advance competitive bidding for the most favorable commission rate applicable to any particular transaction, or to select any broker or dealer solely on the basis of its purported or posted commission rates. However, we will take reasonable steps to be aware of the current level of charges by eligible brokers or dealers and to minimize the transaction expenses incurred, to the extent consistent with the interests and policies our clients accounts. Although we generally seek competitive commission rates, we do not necessarily pay the lowest commissions or commission equivalent. Transactions may involve specialized services on the part of the broker or dealer involved and thereby entail higher commissions or commission equivalents than would be the case with other transactions requiring more routine services.

B. Directed Brokerage. A client may direct us to use a particular broker or dealer to execute transactions under terms and arrangements that the client has negotiated. Where this occurs, we may not be in a position to negotiate the lowest commissions or spreads for the client, or to achieve best execution of trades. In addition, transactions for a client who has directed us to use a certain broker or dealer may not be batched for purposes of execution (see below). Accordingly, the designation by a client of a particular broker or dealer may result in higher commissions, greater spreads, or less favorable prices than might be realized if we are empowered to select a broker or dealer and negotiate for best commission.

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C. Aggregating Transactions. From time to time we may be in the position of buying or selling the same security for a number of clients at approximately the same time. Because of market fluctuations, the prices obtained on such transactions on a single day may vary substantially. In such situations, some clients will receive prices more favorable than other clients. To more equitably allocate the effects of such market fluctuations, we may use an averaging procedure for certain transactions, under which purchases or sales of a particular security will be combined (“batched”) for all accounts trading in the same security on the same day. In such cases, the prices shown on confirmation reports for these purchases or sales will be the average execution price for the batch. In certain situations, batched orders entered may not be completely filled, and in such event we will pro-rate the completed portion of the order to ensure that all clients participating in the batched order will receive an allocated portion of the completed transaction.

### **Item 13 -- Review of Accounts**

Investment reviews of accounts by portfolio managers are conducted on a continuous basis. Complete reviews occur at least monthly and at the end of each quarter. Whenever there is a change in pertinent factors such as financial needs of the client, investment objectives, securities prices, market fluctuations, etc., client account(s) will be surveyed.

Client accounts are reviewed by Gregory A. Prost, Chief Investment Officer, Derek H. Oglesby, Portfolio Manager and Talmadge Gunn, Senior Vice President and Senior Portfolio Manager. Portfolios are reviewed based upon client objectives relative to structure, interest rate sensitivity, credit quality and other client-imposed restrictions.

Monthly and/or quarterly statements are provided by the client’s custodian. We also provide monthly and/or quarterly portfolio appraisals detailing portfolio structure, holdings, income, etc. Clients are encouraged to compare our statements with the statements received from their broker/custodian to confirm that the investments we report are in fact held by the custodian. Market updates informing clients of relevant developments are provided at least quarterly. In-person visits are scheduled periodically at the client’s discretion to ensure communication and understanding of portfolio activities and accomplishments.

### **Item 14 -- Client Referrals and Other Compensation**

From time to time, we may enter into marketing arrangements with third party solicitors who will be compensated by us for referring prospective clients to us. Where required by law, each marketing arrangement will be governed by a written agreement that complies with SEC Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended. Clients will be provided with copies of this Brochure, a separate disclosure of the nature of the marketing or referral arrangement and any other document required under applicable law. Any referral fees paid by us to a third party solicitor will not be passed on to our clients.

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**Item 15 -- Custody**

We do not hold custody of any client funds or securities. While we normally provide our clients with regular periodic statements of their account's status and performance, we encourage our clients to compare the information contained in the statements we provide with the information that each client receives from the custodian of their account.

**Item 16 -- Investment Discretion**

When a client desires to provide us with complete authority to select which securities will be bought or sold, the Investment Management Agreement will contain a limited power of attorney designating us as the client's attorney-in-fact for these purposes. Clients may place limitations on our powers, including limitations related to specific investment objectives or policies or limitations requiring some form of prior notice before we are allowed to execute transactions. Any limited power of attorney may be terminated by a client at any time without prior notice, but termination must be in writing (including email communications).

**Item 17 -- Voting Client Securities**

As stated in our Investment Management Agreement, we do not take any action, or render any advice, with respect to the voting of proxies. Our clients are solely responsible for making any and all proxy decisions and to ensure that proxies are submitted in a timely manner.

**Item 18 -- Financial Information**

Ambassador does not require or solicit prepayment of fees. As a result, we are exempt from the requirement to provide financial information in this brochure

**Item 19 -- Additional Information**

N/A

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# AMBASSADOR CAPITAL MANAGEMENT

## Investment Management Services

*Form ADV, PART 2B – Brochure Supplement*

This brochure supplement provides information about **Brian T. Jeffries, Gregory A. Prost, Derek H. Oglesby, and Talmadge D. Gunn** that supplements the Ambassador Capital Management brochure. You should have received a copy of that brochure. Please contact Valaise Smith, Chief Compliance Officer, (telephone: 313-961-3111; email: [vsmith@ambassador-capital.com](mailto:vsmith@ambassador-capital.com)) if you did not receive Ambassador Capital Management's brochure or if you have any questions about the contents of this supplement. **Additional information about Brian T. Jeffries, Gregory A. Prost, Derek H. Oglesby, and Talmadge D. Gunn is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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**ITEM 2 -- Educational Background and Business Experience.** Ambassador Capital Management has the following “supervised persons” (i.e., our officers, partners, directors or employees who provide investment advice on our behalf and who are subject to our supervision or control)--

**Brian T. Jeffries, 1965**

Education: Central Michigan University -- B.S. 1988  
Detroit College of Law -- J.D. 1993  
Business: Ambassador Capital Management  
President and Chief Executive Officer, February 1998 to present  
Munder Capital Management  
Portfolio Manager, January 1995 to January 1998  
Woodbridge Capital Management  
Portfolio Manager, August 1993 to December 1994

**Gregory A. Prost, 1966**

Education: Kalamazoo College -- B.A. 1988  
Chartered Financial Analyst -- 1992  
Western Michigan University -- M.B.A. 1994  
Business: Ambassador Capital Management  
Chief Investment Officer, January 2000 to present  
Munder Capital Management  
Senior Portfolio Manager, May 1995 to January 2000  
First of America Investment Corporation  
Senior Portfolio Manager, May 1987 to April 1995

**Derek H. Oglesby, 1976**

Education: Central Missouri State University -- B.S. 1998  
Chartered Financial Analyst -- 2002  
Michigan State University -- M.B.A. 2004  
Business: Ambassador Capital Management  
Portfolio Manager, April 2000 to present  
Conning Asset Management Company  
Portfolio Manager, May 1998 to April 2000

**Talmadge D. Gunn, 1960**

Education: University of Michigan -- B.A. (Economics), 1982  
University of Detroit -- M.B.A. 1995  
Business: Ambassador Capital Management  
Senior Vice President and Senior Portfolio Manager, April 2006 to present  
Munder Capital Management  
Vice President and Senior Portfolio Manager, April 1993 to February 2006  
Comerica Bank  
Assistant Vice President and Senior Trader, February 1983 to March 1993

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To become a **CFA charterholder** you must be a regular member and pass the CFA Program Level I, Level II, and Level III exams. Once you become a charterholder you must comply with requirements to maintain your status. Membership in CFA Institute is a commitment to maintaining the professional skills and ethics that will contribute to stronger and more ethical global markets. It is a commitment that places the public interest above personal gain or corporate loyalty. With a global community of professionals, CFA Institute members are leading the way for greater integration, innovation, and standardization of international markets. For more than 40 years, CFA Institute has advocated for efficient capital markets that are ethical, transparent, and provide investor protections.

**CFA Institute believes:**

- Investors come first. The interests of the investing client must always take precedence over the interests of investment professionals and their employers
- Investment professionals must act ethically and in accordance with the highest professional standards. They must:
  - Act with integrity in all their dealings
  - Maintain independence and objectivity
  - Continuously strive to maintain and improve their professional knowledge and competence
- Investors need complete, accurate, timely and transparent information from securities issuers
- Financial statements should be reported from the perspective of the shareholder who bears the ultimate risk, and with the shareholder's best interests held paramount
  - Financial statements should be fully transparent and report the fair values of all assets, liabilities, exchanges, and transactions that could potentially impact the investor
  - All assets and liabilities should be included in the balance sheet, with no hidden assets, hidden debt, or hidden obligations

**ITEM 3 -- Disciplinary Information.** Prior to November 26, 2013, none of our supervised persons had been involved in any legal or disciplinary events that we consider to be material to a client's or prospective client's evaluation of the supervised person.

On November 26, 2013, the Securities and Exchange Commission (SEC) issued Order Instituting Proceedings alleging a money market fund managed by Ambassador and for which Derek H. Oglesby served as portfolio manager failed to comply with certain requirements under Rule 2a-7 under the Investment Company Act, allegedly resulting in violations of Sections 206(1) and (2) of the Investment Advisers Act and Sections 31(a), 34(b) and 35(d) of the Investment Company Act and Rules 22c-1, 31(a)-1 and 38a-1 thereunder.

Ambassador Capital Management, LLC and Derek H. Oglesby filed answers on January 10, 2014 denying the allegations in the Order Instituting Proceedings. On January 7, 2014 Administrative Law Judge Cameron Elliot entered an Order setting a trial to commence on May 5, 2014.

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**ITEM 4 -- Other Business Activities.** None of our supervised persons is actively engaged in any investment-related business or occupation which creates a material conflict of interest with clients, such as a broker-dealer, registered representative of a broker-dealer, futures commission merchant (“FCM”), commodity pool operator (“CPO”), commodity trading advisor (“CTA”), and none of our supervised persons is an associated person of any such types of businesses.

**ITEM 5 -- Additional Compensation.** None of our supervised persons receives any economic benefit for providing advisory services from persons who are not clients of ours.

**ITEM 6 -- Supervision.** Brian T. Jeffries supervises our supervised persons. The Investment Team meets several times each week to review investment strategies and client portfolios. We collaborate in preparing our investment advice to clients. Our supervised persons’ activities are also monitored by our Chief Compliance Officer, Valaise Smith, who can be reached at 313-961-3111.