

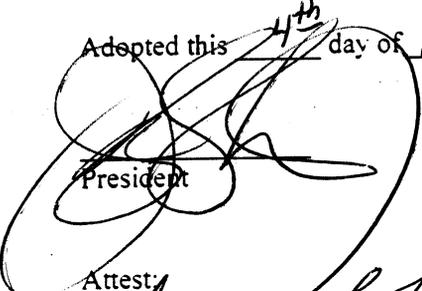
Coast Guard Auxiliary Association, Inc.
Policy and Procedures

NO. 9-002

The Board of Directors does hereby adopt as policy the Board of Directors Governance and Ethics Principles which were first adopted by the Board on 30-31 March 2008.

A copy of which Principles shall be attached to this Policy.

Adopted this 4th day of April, 2009.


President

Attest:


Secretary



Board of Directors

Governance and Ethics Principles

Adopted March 30-31, 2008

COAST GUARD AUXILIARY ASSOCIATION, INC
(referred to in this document as CGAuxA or the Association)

Board of Directors Governance and Ethics Principles

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COAST GUARD AUXILIARY ASSOCIATION, INC
(Referred to in this document as CGAuxA or the Association)

Vision and Values

CGAuxA VISION AND VALUES

The CGAuxA Board of Directors is responsible for directing, and providing oversight of the management of the Association's business in the best interests of its contributors and the members of the United States Coast Guard Auxiliary consistent with good corporate citizenship. In carrying out its responsibilities, the Board monitors top management, provides oversight for financial reporting and legal compliance, determines the CGAuxA governance principles and implements its governance policies. The Board, together with management, is responsible for establishing the firm's operating values and code of conduct and for setting strategic direction and priorities. While the CGAuxA strategy and leadership evolve in response to its changing conditions, the Association's vision and values are enduring. So too are five governance principles, and along with the Association's vision and values, they constitute the foundation upon which the Association's governance policies are built. The CGAuxA believes that good governance requires not only an effective set of specific practices but also a culture of responsibility throughout the organization and governance is intended to optimize both. The CGAuxA also believes that good governance ultimately depends on the quality of its leadership, and it is committed to recruiting and retaining directors and officers of proven leadership and personal integrity.

The CGAuxA Vision: Why We Exist and the Essence of Our Business

The Coast Guard Auxiliary Association, Inc., in strengthening its fiscal commitment to the members of the U. S. Coast Guard Auxiliary, will organize and manage in such a way as to produce the necessary funding and capitalization required for all present and future financial needs of the U. S. Coast Guard Auxiliary. The overarching mission of the Coast Guard Auxiliary Association is to provide for the fiscal health of the U. S. Coast Guard Auxiliary. We will pursue creative long- and short-term policies to generate the income required to sustain all present and future program needs of the U. S. Coast Guard Auxiliary, by developing diverse income-producing sources and enhancing fundraising initiatives to make the Association a self-sustaining dynamic organization.

The CGAuxA Values: How We Conduct Ourselves

Integrity: We demand of each other and ourselves the highest standards of individual and association integrity. We vigorously protect the Association's assets and comply with all policies and laws.

Excellence: We continually challenge each other to improve our service to the Auxiliary, our processes and ourselves. We strive always to understand the Coast Guard Auxiliary and help them achieve their goals. We are dedicated to diversity, fair treatment, mutual respect and the trust of our employees.

Teamwork: We foster an environment that encourages innovation, creativity and results through teamwork and mutual respect. We practice leadership that teaches, inspires and promotes full participation of our Board as well as our employees. We encourage open and effective communication and interaction between all parties.

Accountability: We will meet the commitments we make and take personal responsibility for all actions and results. We will create an operating discipline of continuous improvement that will be integrated into our culture.

The CGAuxA Goals: What We Seek to Achieve

Governance: Adhere to the highest standards of corporate governance by establishing processes and practices that promote and ensure integrity, compliance and accountability.

The Auxiliary: Fully understand and exceed their needs, wants and preferences to the best of our ability and resources.

Growth: Focus on strategies to achieve improved support to the Auxiliary

Teamwork and Culture: Build on the CGAuxA's reputation and image internally and externally to better serve the United States Coast Guard Auxiliary.

Operational Excellence: Implement operating practices to best achieve our goals and objectives.

Financial Strength & Flexibility: Ensure that all revenue is spent for the good of the United States Coast Guard Auxiliary and/or the Association.

The CGAuxA's CULTURE OF RESPONSIBILITY AND GUIDE TO ETHICAL CONDUCT:

The CGAuxA culture is built on the premises that the Association seeks to draw the best from its employees, and that every employee, without exception, is responsible for the conduct and success of the CGAuxA. This includes full, accurate, candid and timely disclosure of information and compliance with all laws and regulatory standards. Employee responsibilities are elaborated in our Employee Handbook. The Board of Directors is responsible for setting the ethical tenor for management and the Association. That ethical tenor works on the expectation that employees understand where the lines are that they should not cross and stay widely clear of those lines. The Conflict of Interest policy is reviewed annually by all directors and they affirm in writing that they understand it and are fully in compliance with it.

THE CGAuxA BOARD OF DIRECTORS

Mission of the Board of Directors: What the Board Intends to Accomplish

The mission of CGAuxA's Board of Directors is to promote the long-term value and health of the Association and the United States Coast Guard Auxiliary and to set an ethical "tone at the top." To this end, the Board provides management with strategic guidance and also ensures that management adopts and implements procedures designed to promote both legal compliance and the highest standards of honesty, integrity and ethics throughout the Association and its employees.

Governance Principles: How the Board Oversees the Association

1. **Active Board:** The directors are well informed about the CGAuxA, the USCG Auxiliary and they are vigorous in their oversight.
2. **Leadership:** The directors, together with management, set the Association's strategic direction, review financial objectives and establish a high ethical tone for the management and leadership of the Association.
3. **Compliance with Laws and Ethics:** The directors ensure that procedures and practices are in place designed to prevent and identify illegal or unethical conduct and to permit appropriate and timely redress should such conduct occur.
4. **Inform and Listen to contributors, members and regulators:** The directors take steps to see that management discloses appropriate information fairly, fully, timely and accurately to the Association, all of its members, contributors and regulators, and that the association maintains a two-way communication channel with these same individuals and regulators.
5. **Continuous Improvement:** The directors remain abreast of new developments in governance and they implement new procedures and practices as they deem appropriate.

Board Responsibilities

The Board of Directors is responsible for:

- Reviewing and approving strategic and business plans.
- Reviewing and approving financial plans, objectives and actions including significant capital allocations and expenditures.

- Monitoring the execution of the above plans and objectives.
- Advising on significant decisions and reviewing and approving major transactions.
- Recommending director candidates for election by the Operating Committee.
- Appraising the Association’s major risks and overseeing that appropriate risk management and control procedures are in place.
- Selecting, monitoring, evaluating, compensating and, if necessary, replacing the Executive Director and seeing that succession plans are maintained for this position.
- Determining the Executive Director’s compensation based on performance in meeting pre-determined standards and objectives.
- Determining that procedures are in place designed to promote compliance with laws and regulations and setting an ethical “tone at the top”.
- Determining that procedures are in place designed to promote integrity and candor in the audit of the Association’s financial statements and operations and in all financial reporting and disclosure.
- Designing and assessing the effectiveness of its own governance practices and procedures.

Board Risk Management

The Board is responsible for appraising the CGAuxA’s major risks and for determining that appropriate risk management and control procedures are in place to manage all major risks.

Board Capacities

The CGAuxA Board as a whole is constituted to be strong in its collective knowledge and diversity of accounting and finance, management and leadership, vision and strategy, business operations, business judgment, crisis management, risk assessment, knowledge of the United States Coast Guard Auxiliary, and governance.

The culture of the Board is such that the Board can operate swiftly and effectively in making key decisions and facing major challenges. Board meetings are conducted in an environment of trust, open dialogue, mutual respect and constructive commentary that are akin to those of a high-performance team. The Board meets in person at least twice a year and has teleconferences as needed. The Board is informed, proactive and vigilant in its oversight of the Association and the protection of its assets.

Board Organization and Independence of its Members

- The business of the CGAuxA is managed under the direction of the Association’s Board.
- The Board delegates its authority to the President and the Executive Director to manage the everyday affairs of the Association. The Board requires that senior management review with the Board major actions and initiatives not in the budget.
 - To conduct its business the Board maintains three standing committees: Audit, Fiscal and Investment. All members of these committees are appointed by the Chairman of the Board/CEO. They are Board members or members of the Operating Committee. All committees report on their activities to the Board.
 - To ensure effective discussion and decision making while at the same time having a sufficient number of independent directors for its three committees, the Board is normally constituted of between ten and fifteen directors. The Board has the authority to set the number of directors.
- The CGAuxA believes the positions of Chairman of the Board and Chief Executive Officer should be held by the same person. The other key person on the Board is President/COO. The CGAuxA has adopted a counterbalancing governance structure, including:
 - o A substantial majority of independent directors;
 - o All directors annually elected by a majority of votes cast at the annual general meeting of the USCG Auxiliary. Board members are elected by the Operating Committee. The Board

does not vote but they do make recommendations for Board members to the Operating Committee for their consideration.

- o Committees entirely composed of independent directors or members of the Operating Committee; and
- o Established governance guidelines.

To maintain its objective oversight of management, the Board consists of a substantial majority of independent directors. Directors meet stringent definitions of independence and for those directors that meet this definition the Board will make an affirmative determination that a director is independent. Independent directors:

- Have no current or prior material (financial) relationships with the United States Coast Guard Auxiliary or any of the contributors to the CGAuxA that would affect their judgment or their decision making.

Donations or Contributions

The Board understands that its members, or their immediate family members, serve as directors, trustees, executives, advisors and in other capacities with a host of other organizations. If the CGAuxA accepts a contribution or charitable donation from an organization in which a CGAuxA director or their immediate family member has an interest, the Board member must recuse from any vote regarding the contribution or donation.

Board Meetings

- The Board meets at least two times annually in person, and additional meetings may be called in accordance with the Association's by-laws. Frequent Board meetings are critical not only for timely decisions but also for directors to be well informed about the Association's operations and issues. Board members are expected to attend and participate in these meeting to the best of their ability.
- The Chairman/CEO is responsible for setting the meeting agendas.
- Committee meetings are held as necessary to meet their objectives and goals. Some of these meetings will be face to face and others will be conducted via the internet or teleconference. Major committee decisions are reviewed and approved by the Board.
- The Board chair and committee chairs are responsible for conducting meetings and providing updates to the entire Board. They will conduct the meetings and informal consultations in a fashion that encourages informed, meaningful and probing deliberations. Presentations at Board meetings are concise and focused, and they include adequate time for discussion and decision-making.
- Directors will receive the agenda and materials for regularly scheduled meetings in advance. When ever possible they will also be provided information prior to any teleconference or special meeting. Best efforts will be made to make materials available as soon as one week in advance, but no later than three days in advance of the subject meeting.
- The Board's intent is for directors to attend all regularly scheduled Board and committee meetings. Regularly scheduled Board and committee meetings are to be attended in person. Telephonic participation is the exception. The decisions by the Board and its committees are recorded in the minutes of their meetings and copies of the minutes are forwarded as promptly as possible to all directors after each Board and committee meeting.

Board Communication

The Chairman of the Board and the President normally communicate with outside parties, members of the operating committee and all Association members.

Board Advisors

The Board may retain their own advisors as they determine necessary to carry out their responsibilities.

Board Self-Evaluation

The Chairman of the Board coordinates an annual evaluation process by the directors of the Board's performance and procedures, including evaluation of individual directors. This self-evaluation leads to a full Board discussion of the results. The qualifications and performance of all Board members are reviewed in connection with their renomination to the Board.

Board Compensation

Members of the CGAuxA Board of Directors receive no compensation for their service. Members of the board may not request or be granted any special loans or other favors because of their status in the association. Board members are reimbursed for any out of pocket expenses that are consistent with the approved budget.

Director Candidates

General criteria for the nomination of director candidates include:

- The highest ethical standards and integrity.
- A willingness to act on and be accountable for Board decisions.
- An ability to provide wise, informed and thoughtful counsel to top management on a range of issues.
- A history of achievement that reflects superior standards for themselves and others. A willingness to contribute to the Association or involve themselves in fundraising activities for the Association.
- Loyalty and commitment to driving the success of the CGAuxA.
- An ability to take tough positions while at the same time working as a team player.
- Individual backgrounds that provide a portfolio of experience and knowledge commensurate with the Associations needs with reference to a requirement of the directors.

Director Service

- Directors are elected by an affirmative vote of a majority of the votes cast by members of the Operations Committee. Directors serve a two year term and may be reelected one time for a total of four years. A director may serve another term of up to four years after being off of the Board for two years.
- The Chairman of the Board and the President along with the executive Vice President is responsible for the review of all directors and where necessary will take action to remove a director for performance, which requires the unanimous approval of the Board. This unanimous approval does not include the approval of the director whose removal is sought.

Director Orientation and Education

- A formal orientation program is provided new directors on the CGAuxA mission, values, compliance and operations.
- A program of continuing education is annually provided to incumbent directors, and it includes review of this document and the "Guide to Ethical Conduct". During this review every year the Board will sign a "Conflict of Interest Policy" (copy attached). In addition every four years when a new Chairman of the Board and President are both elected the Board will review the Associations by-laws, mission statement, vision for the association, and other pertinent documents and policies.

NOTE: This guide was based on a similar guide used by the TYCO Corporation and taken from its web site.