

Proposal

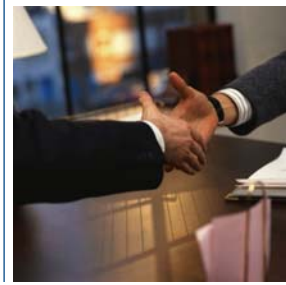
GORFINE, SCHILLER & GARDYN, P.A.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS



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To Provide

Audit and Tax Services for
Masters, Mates and Pilots Plans



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proposal to provide employee benefit plan audit services **MASTERS, MATES AND PILOTS PLANS**

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Attachments: Peer Review Opinion, Malpractice Insurance Policy, Sample Report

I

Firm Overview

proposal to provide employee benefit plan audit services **MASTERS, MATES AND PILOTS PLANS**

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We are extremely enthusiastic about this opportunity to present our qualifications to serve Masters, Mates and Pilots Plans. In this regard, we are certain that the team of professionals, depth of resources and level of partner involvement that Gorfine, Schiller & Gardyn, P.A. is prepared to commit to serve Masters, Mates and Pilots will meet or exceed your highest expectations and make a positive impact on your organization.

Schiller, Holinsky & Gardyn, an Owings Mills based firm for 17 years merged with Harry B. Gorfine, a Baltimore based firm for 65 years, in the year 2000 creating Gorfine, Schiller & Gardyn, PA. GSG is now one of the top 20 CPA firms in Baltimore according to *The Baltimore Business Journal*. The combination of the firms has allowed GSG to become a leader in the Accounting Industry and offer specialized services to an array of clientele. GSG has an approximate staff of forty five. The accounting staff consists of eight Partners, seventeen CPA's, seven staff accountants, four technology consultants and nine support staff. Through our affiliation with PKF North American Network we have direct access to over 6,500 CPA's.

Gorfine, Schiller & Gardyn, P.A. is committed to providing you personalized and highly responsive professional service at a reasonable cost. We truly take an active interest in the success of your organization and are committed to assisting you in reaching your strategic goals. We believe that our dedication to our clients, as well as the level of proactive advice we provide, sets us apart from other accounting firms.

AUDIT NEEDS

Gorfine, Schiller & Gardyn, P.A., is pleased to provide the following proposal to support the employee benefit plan audit requirements of Masters, Mates and Pilots Plans. We understand your audit needs to include the following:

- Masters, Mates & Pilots Health & Benefit Plan
- Masters, Mates & Pilots Pension Plan
- Masters, Mates & Pilots Individual Retirement Account Plan
- Masters, Mates & Pilots Maritime Advancement, Training, Education and Safety Program
- Masters, Mates & Pilots Vacation Plan
- Masters, Mates & Pilots Joint Employment Committee

We appreciate the opportunity to assist with your organization's employee benefit plan audit needs. This proposal is based on the availability and good order of all related plan records. This will help us to perform the audit efficiently and with a minimum of disruption to your staff.

To make this proposal easier to evaluate, we will follow the format of your Request for Proposal dated July 1, 2005.

WHY CHOOSE GORFINE, SCHILLER & GARDYN, P.A.?

The information noted below may be useful as you evaluate our proposal:

- Masters, Mates and Pilots Plans will be an “A” client with elevated service levels and access to our best people.
- GSG has a dedicated and experienced team of professionals who receive extensive CPE training in the rigors of employee benefit plan auditing.
- The firm is fully independent – we audit employee benefit plans (we don’t administer employee benefit plans, nor do we provide employee benefit/human resource consulting or investment management). Independence nurtures objectivity leading to a high quality product and better advice on compliance issues.
- The firm is locally based but with extensive resources and reach available to our clients through our affiliation with PKF North America. If a challenging issue comes up, if needed, we can tap into the collective experience within PKF to find the answer quickly and seamlessly.
- Our middle-market focus keeps our people available and not bogged down in Sarbanes-Oxley work.

Our Firm enjoys an excellent reputation, which has been developed over time, based upon our commitment to superior client service.

Gorfine, Schiller & Gardyn, P.A. prides itself on its personnel and reputation

GSG is appropriately licensed and insured to perform accounting, auditing, valuation, and many other services in the State of Maryland. Neither the firm, nor any of its predecessors have been charged or convicted of fraud, ERISA violations or violations of other federal or state law. The firm, or its predecessors has not been involved in litigation with any client or former client. In addition, we have no knowledge of any such litigation which may be brought against our firm based on events to date. We are not aware of any governmental investigation or proceeding related to our firm. There have never been any claims placed against GSG’s liability in the past and there are no claims that we are currently aware of. There have been no notices sent to GSG’s insurer in respect to liability policies. Attached is a copy of our malpractice insurance policy.

The professionals assigned to the Masters, Mates and Pilots Plans will be selected on the premise that they will be serving you on a long-term basis. Continuity of staff from year to year is a very high priority at Gorfine, Schiller & Gardyn, P.A. The individuals who will participate on the engagement team are experienced and will utilize an approach we have developed and refined over the years of servicing organizations such as yours. There will be no arbitrary shuffling of personnel on and off the job.

Our commitment to quality is evidenced by our receipt of an unqualified opinion in connection with our participation in the American Institute of Certified Public Accountants’ (AICPA) Peer Review program. This is the highest level of report possible with only 20% of accounting firms nationally achieving this level of quality assurance reporting. For your reference, we have attached to this proposal a copy of our most recent peer review opinion.

*License
Insurance
and
Claims*

II

Client Services

proposal to provide employee benefit plan audit services **MASTERS, MATES AND PILOTS PLANS**

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Gorfine, Schiller & Gardyn, P.A. maintains state-of-the-art tax department resources.

Our dedicated tax department serves as a technical resource to assist the engagement team in serving our clients. Our approach to tax consulting is premised on an understanding of the complex business environment in which our clients operate. We shall be actively involved in your organization's need for tax compliance and reporting requirements at both the state and federal levels ensuring that the Plan is receiving the most up-to-date, creative tax advice possible.

As an example of Gorfine, Schiller & Gardyn, P.A.'s state-of-the-art tax technology, all of our research is performed on-line, or via the Internet, which permits us to access the latest court cases, regulations, tax planning ideas, and other information from across the country in a cost effective manner. Our tax library is considered second to none.

Gorfine, Schiller & Gardyn, P.A. maintains state-of-the-art accounting and auditing department resources.

Our accounting and auditing team avails itself of our state-of-the-art technology. All of our audits are performed in a paperless environment utilizing ProSystem FX Engagement from Commerce Clearing House, the leading paperless software. Accounting and auditing research is performed on-line via the internet which permits us access to the latest pronouncements and guides issued by the AICPA through the various boards and committees. As with the tax library, our accounting and auditing library is second to none.

Masters, Mates and Pilots Plans will benefit from our Firm's resources.

Gorfine, Schiller & Gardyn, P.A. employs forty-five associates including eight partners. This includes professionals specializing in tax, audit, estate planning, merger and acquisition strategy, real estate, due diligence, operational reviews, establishment of internal controls, inventory cost accounting, profit enhancement studies, human resource consulting, fraud audits/forensic accounting, arrangement of financing, business valuations, business plan development, litigation support and information systems.

We have also invested heavily in the latest audit and tax computer technologies as a means of delivering superior client service. This sophisticated software allows us to conduct more focused, cost-effective client service. In addition, as a means of supporting this technology, we have a full-time network administrator and technology trainer on staff. Their purpose is to assist our associates with maximizing the benefits related to such applications.

Gorfine, Schiller & Gardyn, P.A. maintains our own Internet web site at www.GSGcpaonline.com. This web site provides the opportunity for our clients to communicate with us on a real-time basis.

Awards:

Practical Accountant magazine recognized GSG as one of only a handful of firms in the country with its **Practice Innovation Award** for Sept. 2005. The award was for the firm's method of implementing paperless engagements.

SmartCEO magazine honored three of GSG's accountants as the **Top CPA's in Maryland** in the July 2005 issue!

GSG won a **Marketing Achievement Award** in the "Niche Building Campaign" category received during the 2005 AAM (Association for Accounting Marketing) Summit in Orlando, Florida.

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Client Services

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Confidentiality Standards allow your company the privacy it deserves.

The confidentiality of your information is assured by our Client Bill of Rights. This document indicates that we will diligently guard the confidentiality of the information with which we are entrusted. We understand the sensitivity of the information that you entrust to your auditor.

To further safeguard your data, our people are instructed that information used at the client site must be secured at all times. All information is locked while being used at the client site when it is unattended. In addition, our office has entrance security features. In addition, upon request, we keep client files stored in locked cabinets.

The Keys to a Successful Relationship

Dedication to Client Service

We believe that Gorfine, Schiller & Gardyn, P.A. is best suited to provide on-going professional service to the Masters, Mates and Pilots Plan. Consider the following key issues:

The Plan will be a valued and important client for Gorfine, Schiller & Gardyn, P.A.

The Masters, Mates and Pilots Plans will benefit from our close attention. You will be a top priority client for Irvin Flax and Scott Rodgville. In addition, you will also benefit from our low employee turnover at the associate level. However, the books, files and records of the Plan will always be the property of the Plan, to be used exclusively for the benefit of the Plan at the direction of the Committee of the Plan.

The Plan will benefit from our range of experience and our service philosophy based upon teamwork.

We serve a diverse cross section of clients ranging in size from small start-up ventures to middle-market corporations with annual revenues exceeding \$100 million. A significant portion of our practice is comprised of not for profit organizations with annual revenues from \$500 thousand to \$200 million. Further, we pride ourselves on maintaining a very sophisticated clientele comprised of dynamic organizations such as yours.

We strive to be an integral part of our client's success and understand that a professional relationship based on trust creates value for both parties. Building these valuable relationships takes time, hard work and sincere interest.

For an organization to succeed, it takes teamwork. By working as part of your team, we gain an understanding of your needs and objectives. Prominent members of your team would consist of your management, your accounting personnel, representatives of your Board of Trustees, your attorney, other outside consultants and members of Gorfine, Schiller & Gardyn, P.A.

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Client Services

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Just as we are part of your organization's team of professional advisors, we use a team approach internally. We assign a client service team, that will be led by Scott Rodgville and Irvin Flax, to work with you based upon your needs and the expertise of our staff. We understand why you prefer to work with the same professionals on an ongoing basis and agree that the consistency of personnel increases efficiency, builds rapport and strengthens our understanding of your organization.

It is our client service team's challenge to design a plan that helps you realize your organization's objectives and solve many of the business and financial challenges you encounter. This team structure makes us accessible to you at all levels. Our firm members actively listen to client ideas, needs, and concerns – and then act appropriately.

The Masters, Mates and Pilots Plans will benefit from our regular and candid communications.

We believe regular and candid communications with the Plan's management is essential to a successful client service relationship. As a matter of practice, we work with our clients on an ongoing basis throughout the year. We deal with more than just preparing the annual financial statements. Interim reviews *throughout* the year, immediate telephone access for consultation, a sound reference for budgeting and operational problems and concerns are a few of the aspects of Gorfine, Schiller & Gardyn, P.A.'s service philosophy which transcends the year-end engagement. **Our goal is to be considered a key management resource and sounding board for important decisions.**

Furthermore, we also provide our clients and friends with a quarterly newsletter that is not only high quality in technical accounting and tax information but also in other areas that we believe to be of concern to you. We write articles ourselves because we relate very closely to the needs of our client base and focus our attention on providing them with value-added information. Additionally, we issue timely and relevant client alerts when new developments warrant a quick notification to our clients, which we believe are on-point and usable for clients in similar situations as the Plans. We also offer periodic seminars and other forums on a wide array of topics.

The Masters, Mates and Pilots Plans will benefit from our commitment to achieving deadlines.

The Plans will benefit from the fact that Gorfine, Schiller & Gardyn, P.A. considers deadlines to be of paramount importance and, indeed, we live with many deadlines every day in our profession. We believe that the responsibility for adherence to deadlines for meetings or report dates is **our** responsibility along with that of our clients. As such, we commit ourselves to achieving all deadlines. Further, our definition of adherence to deadlines means that adequate advance notice is provided with respect to all requirements, in order to allow you (*not us and not your accounting department*) to decide whether or not extensions of such deadlines are appropriate.

EMPLOYEE BENEFIT PLAN AUDITING EXPERIENCE

We pride ourselves in our expertise in the employee benefit plan field. This niche comprises a growing portion of our business, and therefore we dedicate significant resources to ensuring that our professionals are provided with all of the tools they need to service our employee benefit plan clients. To ensure exceptional service and efficiency, Gorfine, Schiller & Gardyn, P.A. has developed a team of accounting professionals who conduct employee benefit plan audits on a regular basis. Our Employee Benefit Plan Audit Team is led by Scott Rodgville. Irvin Flax is another key member of this team. Irv is a member of the firm's Board of Directors.

In addition, it should be noted that Masters, Mates and Pilots Plans will be a key client of our Employee Benefit Plan Audit Team. This will provide Masters, Mates and Pilots Plans with access to our best people and responsive service with a focus on providing insight and advice. This will help your company continuously improve your internal controls and operations in regard to your employee benefit plans.

The twelve professionals who comprise the Employee Benefit Plan Audit Team regularly receive additional training within this audit area. The team that will conduct the audit on Masters, Mates and Pilots Plans has the experience and training to perform these duties effectively, while focusing on providing value for your investment in our services. For many clients, we have provided practical recommendations that helped them fine-tune internal procedures, thereby saving time and resources for the company.

Because we have extensive experience in this area, we are able to perform the audit efficiently, which allows your staff to remain focused on normal operations. In addition, our expertise in this area has enabled us to represent several of our employee benefit plan audit clients when their plans were audited by IRS and/or the Department of Labor.

Our professional staff has mastered the technical proficiency necessary to perform employee benefit plan audits, and our firm is distinguished by an exemplary dedication to client service within the confines of professional standards. Your calls will always be returned expeditiously and you will always have a dedicated resource available to answer questions and give updates on the progress of your project.

In addition, our team is knowledgeable on many employee benefit plan auditing topics including the ramifications of the mutual fund market timing scandal and specific ERISA provisions that may apply to your situation. The team is available to discuss these issues in greater depth as needed.

III Experience

proposal to provide employee benefit plan audit services **MASTERS, MATES AND PILOTS PLANS**

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Also, our firm is fully independent with respect to employee benefit plan auditing services. We do not provide plan administration services nor do we provide employee benefit plan/human resource consulting, nor do we offer investment management services. Our focus is on compliance services including employee benefit plan audit and tax compliance services. We believe this gives us greater objectivity—giving your plan fiduciaries a high quality product and increased peace of mind.

One other consideration is that Gorfine, Schiller & Gardyn does not actively pursue public company work related to the *Sarbanes-Oxley Act*. Our firm seeks quality, sustainable growth by focusing on the needs of middle-market companies. As a result, we have not experienced the staffing “crunch” that other firms have, which has led to declining service levels and increasing prices at some firms.

To augment our knowledge base and resources on a local and national basis, we have access to a network of independent CPA firms that span the country and the globe. PKF North American Network and PKF International (www.pkfnan.org and www.pkf.com) have 175 offices in North America and 495 offices networked throughout the world—which ultimately extends GSG’s geographical reach, knowledge, resources, and training/education opportunities.

PKF has established a national discussion forum among the member firms that have employee benefit plan audit expertise. Members of the forum share resources, best practices, ideas and knowledge on the evolving field of plan auditing. This gives our firm the advantages of cutting-edge information while maintaining our local focus on exceptional client service.

In addition, the firm is in the process of joining the American Institute of Certified Public Accountants’ (AICPA) newly formed Employee Benefit Plan Audit Quality Center. The Center requires members to maintain and demonstrate high quality audit services in this field, obtain minimum amounts of continuing professional education in audits of employee benefit plans, include plan audits in their triennial peer reviews and other quality control measures. Joining the Center is an easy decision for us since we are already doing everything that The AICPA requires of members.

IV **GSG Audit Team**

proposal to provide employee benefit plan audit services **MASTERS, MATES AND PILOTS PLANS**

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STAFF CONTINUITY COMMITMENT

Every effort will be taken to provide for staff continuity on your engagement team. Turnover on the Employee Benefit Plan Audit Team has been 0% in the last three years. GSG has not had any *Taft-Hartley* or multi-employer benefit plan clients terminate services in the last five years. Team members are hand-picked and nurtured through special training programs and extra responsibilities. In short, Employee Benefit Plan Audit Team Members are experienced, high performers who enjoy the challenge that employee benefit plan auditing provides. These factors have led to the exemplary achievement of 100% staff retention on the Employee Benefit Plan Audit Team.

If there was turnover on your engagement team, we pledge to assign a new person to your team with an equal amount or more experience.

Overall, GSG is committed to building a working environment that provides opportunities for personal growth and achievement. Our clients are best served when our people are treated with respect and find our firm to be a rewarding and challenging place to further their career. We honor this commitment to our clients and to our people with policies that advance these ideals, compensation programs that reward effort and benefit plans that provide security for the long-term. Firm-wide, our turnover for the last three years approximated 5%. These figures include staff attrition due to employment with a client, a significant portion of the figures noted above.

The Masters, Mates and Pilots Plans audit will have Irvin Flax (CPA) as the Engagement Partner, and be managed by Scott D. Rodgville (CPA) and James E. Merklin (CPA, CFE), supervised by John Mahaffey (CPA), and serviced by three other members of our Employee Benefit Plan Audit Team. In addition, the Form 5500's and Form 990's will be directly overseen by our Tax Manager—Dan Wise (CPA).

EMPLOYEE BENEFIT PLAN AUDIT EDUCATION

All members of the Employee Benefit Plan Audit Team receive specialized Continuing Professional Education (CPE) directly related to employee benefit plan auditing. Initial training programs and more rigorous training for team members with experience is the start of the process. Thereafter, select professionals are sent to the AICPA's annual conference on employee benefit plan auditing and charged with relating their most significant findings to the rest of the team. Team members will also be receiving training through the AICPA's Audit Quality Center. Specifically, Team Members, Senior Team Members, Team Leaders, and Directors typically receive 8-10 hours of CPE specific to employee benefit plan auditing per year. Our firm's annual CPE exceeds the professional licensing requirements and those of the AICPA's Audit Quality Center.

Proper training is vital to our ability to meet the expectations of our clients for high quality employee benefit plan audit services and related advice on best practices. With this in mind, our commitment to staying up-to-date on the evolving landscape of employee benefit plan auditing will remain of paramount importance.

IV

Audit Team

proposal to provide employee benefit plan audit services **MASTERS, MATES AND PILOTS PLANS**

**GORFINE, SCHILLER
& GARDYN, P.A.**

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THE EMPLOYEE BENEFIT PLAN AUDIT TEAM

EXPERIENCE

Irv has been in public accounting for over 35 years, principally representing privately held businesses. In addition, he has extensive experience in family business, succession planning and mergers and acquisitions, including asset sales, joint ventures, financing transactions and general corporate planning. Irv serves on the firm's manufacturing and distribution niche team.

Irv also works with high net worth individuals in income tax, estate planning and personal financial planning including auditing of investment returns and investment allocations.

Irv is a frequent speaker on taxes and budgeting for business owners and CFOs.

EDUCATION

A graduate of the University of Baltimore with a degree in Accounting, Irv received his CPA certification in 1967.

CIVIC INVOLVEMENT

Irv Flax, has been selected to serve on PKF North American Network's **Legal Services Committee** for 2005. Irv has served on various committees and boards of the Associated Jewish Community Federation of Baltimore. Irv is the Treasurer and a Board Member of The Woodholme Country Club.



**IRVIN FLAX,
CPA
DIRECTOR**

Scott Rodgvile leads the firm's Employee Benefit Plan Audit Team and manages the numerous plans that are audited annually. Scott would be the Manager assigned to the Masters, Mates and Pilots Plans engagement.

EXPERIENCE

Scott has approximately 10 years experience in public accounting in the areas of financial statement preparation, audit and tax services. As an auditor and accountant, Scott provides valuable support to clients in streamlining and strengthening their internal controls and operating efficiencies. His understanding of the needs of labor unions, employee benefit plans and other not-for-profit organizations provide an opportunity for him to help clients of this type, manage their organizations more effectively. Scott's experience includes supervising the audits of the Masters, Mates and Pilots Plans and the MEBA Benefit Plans, in addition to more than two dozen other *Taft-Hartley* plans annually.

EDUCATION

Scott received his B.S. in accounting from Towson State University in 1997 and his M.S. in Taxation from the University of Baltimore in 2001. He received his CPA certification in 1998.

CIVIC INVOLVEMENT

Scott is a member of the finance committee of Paul's Place, Inc., located in southwest Baltimore.



**SCOTT D.
RODGVILE,
CPA
MANAGER**

IV

Audit Team

proposal to provide employee benefit plan audit services **MASTERS, MATES AND PILOTS PLANS**

**GORFINE, SCHILLER
& GARDYN, P.A.**

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THE EMPLOYEE BENEFIT PLAN AUDIT TEAM

EXPERIENCE

Jim's experience is focused on serving privately-held middle market and high growth clients in a variety of industries, including manufacturing, wholesale/distribution, financial institutions, and employee benefit plans, including single and multi-employer plans and filings on form 11-K. He has extensive experience in working with closely-held and family-held businesses, merger and acquisition, tax planning, business planning, financial forecasting, human resource consulting, attestation services, fraud and forensic investigations, litigation and transaction support, and internal control and operations reviews. Jim also has significant experience in working with underperforming and troubled companies. Jim has performed numerous other special projects for clients, such as feasibility studies, cash flow analyses, personal financial statements, due diligence on business acquisitions, and profitability studies.

He was with Ernst & Whinney from 1986–1989 and with Hausser + Taylor, where he led their employee benefit plans audit practice from 1989 until he joined Bober, Markey, Fedorovich & Company in 1997. Jim was elected a Partner in 2003.

EDUCATION

Jim won the Dean's Award for high scholastic achievement when he graduated with a Masters of Accountancy from the Weatherhead School of Management at Case Western Reserve University. Jim is a 2003 graduate and class Vice President of Leadership Akron.

Jim currently is a member of the American Institute of Certified Public Accountants, the Ohio Society of Certified Public Accountants, the Institute of Management Accountants, the Turnaround Management Association, the International Foundation of Employee Benefit Plans, the Employee Benefit Council of Northeast Ohio, the Rotary Club of Akron, and the Association of Certified Fraud Examiners.

CIVIC INVOLVEMENT

Jim is a Board Member of the Weatherhead School of Management Alumni Association, a past-Board Member of the Akron General Development Foundation and current member of Akron General's Community Health Committee. Additionally, Jim is Past-President of the Employee Benefits Council of Northeast Ohio. He is the Chairman of the Manufacturing/Distribution Committee of PKF North American Network, a Director and past-Treasurer for the Rotary Club of Akron, a Director for Goodwill Industries of Akron, and a Director and Treasurer for Community Support Services, Inc. Jim also serves as Board President for St. Joseph Parenting Center and recently served on the Strategic Planning Steering Committee for Heart to Heart Communications.



**JAMES E.
MERKLIN,
CPA, CFE,
M. ACC.**

**PARTNER OF
PKF AFFILIATE**

IV Audit Team

proposal to provide employee benefit plan audit services **MASTERS, MATES AND PILOTS PLANS**

**GORFINE, SCHILLER
& GARDYN, P.A.**

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THE EMPLOYEE BENEFIT PLAN AUDIT TEAM

EXPERIENCE

Dan supervised in the tax departments at PricewaterhouseCoopers, KPMG Peat Marwick and BDO Seidman, before joining Gorfine, Schiller & Gardyn, P.A. in 2005. Including his experience as a CFO and controller/director of financial reporting for a NASDAQ-traded firm, Dan has attained a unique broad-based experience to assist clients whether on the business side or the accounting and tax side. Dan's forte extends to SEC reporting, and planning with treaties.

Dan is a team member of GSG's construction/real estate group.



**DAN WISE,
CPA
TAX MANAGER**

EDUCATION

Dan received a Bachelor's degree from the Wharton School of University of Pennsylvania, graduating magna cum laude with a double major in finance and accounting. Dan holds CPA licenses both here in the U.S. and in Israel.

CIVIC INVOLVEMENT

Dan has served in advisory capacities to the boards of a hi-tech company and not-for-profits organizations.

EXPERIENCE

Mr. Sporn began his career in public accounting in 1988, after serving as product manager for a small manufacturing entity. His specific areas of emphasis are employee benefit plans, Securities & Exchange registrants, manufacturing and broker/dealers. Mr. Sporn has worked on and overseen *Taft-Hartley Plans* throughout his entire public accounting career. His experience includes multi-employer *Taft-Hartley Plans* for many trade unions, including Cement Masons', Teamsters', Laborers' and Electrical Workers', to name a few. In addition to multi-employer plans, Mr. Sporn is the director in charge of the audits for many single employer and employee stock ownership plans. His experience on multi-employer plans varies based on the trade, but includes extensive experience with the issues facing Pension trusts, Health and Welfare trusts (self-funded, partially self funded, or premium based plans), Training and Apprenticeship trusts, Vacation trusts, and multi-employer 401(K) plans.

In addition to the financial statement auditing for these and other plans, Mr. Sporn has directed many payroll audits for testing of employer compliance with the various employer contracts and collective bargaining agreements.

EDUCATION

Mr. Sporn is a member of The California Society of Certified Public Accountants, The Nevada Society of Certified Public Accountants, The American Institute of Certified Public Accountants, The International Foundation of Employee Benefit Plans, and is licensed in California and Nevada. He holds a Bachelor's Degree in Accounting from the University of San Diego.



**ROBERT
SPORN, CPA
EMPLOYEE
BENEFIT PLAN
CONSULTANT**

IV Audit Team

proposal to provide employee benefit plan audit services **MASTERS, MATES AND PILOTS PLANS**

THE EMPLOYEE BENEFIT PLAN AUDIT TEAM

EXPERIENCE

John has over 10 years of accounting experience, with seven years in public accounting. He works closely with small and medium sized businesses providing compilation, review and audit services, as well as providing support for their general business and financial needs. Construction and real estate clients benefit from John's previous experience working in the private sector for several construction contractors.

EDUCATION

John graduated magna cum laude from The University of Baltimore in 1999 with a B.S. in Accounting. He received his CPA certification in 2000. He is a member of the American Institute of Certified Public Accountants, and the Maryland Association of Certified Public Accountants.



**JOHN
MAHAFFEY,
CPA**

STAFF COMMITMENT

None of the people on your Client Service Team have any complaints leveled against them by the state board of accountancy or other regulatory authority, nor do any other members of our firm.

As mentioned earlier, the Team Members assigned to your audit will continue to work on your Client Service Team as long as they are with the firm. We do not routinely rotate staff. Continuity of staff helps us provide the high quality, efficient service we are known for.

We will cooperate with your Board of Trustees, providing them accurate reports and timely advice.

Gorfine, Schiller & Gardyn, P.A. partners and staff will be accessible and proactive in serving the Masters, Mates and Pilots Plans.

The Masters, Mates and Pilots Plans will benefit from our commitment to personal client service and our proactive involvement with our clients in identifying and solving business issues. This proactive personalized service starts at the top with a high degree of partner involvement, a quality that sets Gorfine, Schiller & Gardyn, P.A. apart. Simpson H. Gardyn, Managing Director, along with other key partners and associates, will always be accessible to you and responsible for and active in the relationship with the Masters, Mates and Pilots Plans. We will work hard to anticipate your needs and to exceed your expectations for responsiveness and accessibility. We will strive to work with you to resolve key business issues, present alternatives for the future and share knowledge in the areas in which we have expertise.

In addition to the staff of GSG, we will be partnering with Bober, Markey, Fedorovich & Company through our association with PKF North American Network. This partnership enables us to better serve and meet the need of Master, Mates and Pilots Plans.



**SIMPSON H. GARDYN,
CPA, CVA**
Managing Director

SCOPE OF ENGAGEMENT: OUR TAILORED SERVICE PLAN

We intend to develop a thorough understanding of the Masters Mates and Pilots Plans operations and its goals for the future. In order to develop this understanding of your organization, we will invest a significant amount of partner/manager level time during the initial year of the engagement *at no additional cost to you*. This will provide us with a clear understanding of your organization, and a fresh and focused approach to the engagement. We intend to spend significantly more time tailoring our procedures to your needs after we are engaged as your outside accountants. We would require a minimum of one month between engagement and commencement of work.

Based upon your letter requesting a proposal, the following represents our understanding of the services you require and our approach to meeting and/or exceeding your needs:

Perform an audit of the December 31, 2005 financial statements

Our top-down business approach to the audit of the Masters Mates and Pilots Plans' financial statements will be:

- Designed to eliminate surprises
- Designed to be sensitive and responsive to risks
- Designed to achieve proactive issue identification and resolution
- Designed to avoid problems based upon early and ongoing communication
- Premised on engagement efficiency—we have made significant investments in both technology and in training designed to ensure an efficient engagement and to minimize disruption within your organization

Centered on proactive involvement of senior engagement team members, our engagement approach is predicated on the principal of “*no surprises*.” We believe there is no excuse for issues that come as a surprise to management, whether they involve auditing, accounting, financial or tax issues or subjects such as fees or team continuity. We believe that building strong communication links with your people will be the cornerstone of a successful professional relationship.

Assuming issues come to our attention at the completion of our engagement, we will also provide you with a management letter which will include not only internal control related suggestions but also business-related recommendations/observations for your consideration. This letter will contain suggestions for improving efficiency, strengthening your management processes or otherwise fostering your organization. We will submit this letter in draft form to management so as to incorporate their responses in the final letter we present. [We consider the preparation of the management letter to be a part of the value we bring to you in performing your annual audit.](#) The preparation of such a report will be at no additional cost to you.



Engagement

proposal to provide employee benefit plan audit services **MASTERS, MATES AND PILOTS PLANS**

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We have taken the time, after having received your request for proposal, to develop some of the specifics with regard to our action plan. We believe that you will find that this level of detailed attention is consistent with our normal approach to serving your needs. Based on our review of your request, our approach to servicing your needs are briefly described below:

■ Engagement Start-Up

Gorfine, Schiller & Gardyn, P.A. personnel upon being engaged for professional services will meet with the Masters, Mates and Pilots Plans' personnel in order to appropriately assess the work that needs to be completed within short-term and long-term time frames. At that time, a specific action plan with due dates and responsibilities will be put together and reviewed with the Plans' management so that all parties are in agreement with regard to what needs to be accomplished and when it will be completed.

Again, our services during this transition period come at no cost to you, but rather is our investment in what we consider to be a valuable long-term relationship.

■ Preparation of Annual Audited Financial Statements and Informational Returns for the Masters, Mates and Pilots Plans

We would anticipate beginning procedures for the annual audit with interim procedures to be performed in December, and with the year-end audit work starting in April. We expect to be in your offices for the year-end fieldwork for approximately six weeks, with Scott Rodgville present during the engagement for staff supervision, review of work product, and the conduct of an exit conference with you at the end of the fieldwork. A manager and a staff accountant would be in your offices for the fieldwork. During the initial year, due to the additionally required beginning balance audit procedures and systems documentation that would be required, we expect to spend additional days in your office—in future years, the time commitment will clearly be lower.

Upon completion of the audit procedures and preparation of the financial statements at the end of our fieldwork, an exit conference will be held on a timely basis with management and the key members of our staff involved in the audit. During this meeting, we will discuss with you the results of our procedures and present a draft copy of the financial statements for your approval. This process will be completed leaving ample time for Gorfine, Schiller & Gardyn, P.A.'s tax department to complete the Forms 5500 and 990 for the Masters, Mates and Pilots Plans in a timely fashion. Informational returns will be delivered to you no later than five business days before your deadline in order to assure that you have adequate time to review those returns and, if necessary, to make any changes.

PROFESSIONAL FEE STRUCTURE

Gorfine, Schiller & Gardyn, P.A.'s operating philosophy is to provide professional services of the highest quality for a reasonable cost. We value our client relationships so we enter into them with the intent that they will be long term and mutually satisfactory. Professional fees represent an important expenditure, so we believe that our clients are entitled to efficient and effective service.

As a matter of practice, we do not bill for responses to client questions that require no significant investment of research time or other costs. Providing a high level of value for the fees you pay is integral to our basic engagement philosophy.

Please be assured that we will make a determined effort to keep our fees at a minimum, consistent with achieving the objectives of our engagement, while satisfying the needs of the Masters, Mates and Pilots Plans and its management.

In the interest of establishing a long-term, valued professional relationship with the Masters, Mates & Pilots Plans, we have structured our fees to accomplish this goal. Our fee quoted below is based on the assumption that the accounting records are accurate, supporting schedules will be provided to us in a timely fashion, and that there are no accounting surprises. We view our responsibility to provide you with a high quality service within effective and efficient time constraints. We take that responsibility very seriously—if we exceed our budgeted hours for the engagement due to any of our engagement management inefficiencies, we certainly will not bill you for that excess time. However, if facts and circumstances are encountered during the engagement that were not known to us in the preparation of the estimated hours and fees for services, we would expect to be reasonably compensated for such excess time.

For the preparation of the audited financial statements and related informational returns of the Masters, Mates and Pilots Plans, for the years ended December 31, 2005, 2006, and 2007 will be in accordance with the fee schedule on [page 18](#).

We will not charge you for any of our start-up time because we consider this time to be our investment in what we hope to be a long-term relationship with you. Also, the fee estimates assume a reasonable level of assistance from the Masters, Mates and Pilots Plans' personnel. Prior to beginning our work, we will coordinate the preparation of such schedules and analyses, including a detailed list of specific requests. Such assistance ensures an efficient and effective engagement and minimizes disruption within your organization. The above estimates are based upon anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the completion our work.

VI Fee Structure

proposal to provide employee benefit plan audit services **MASTERS, MATES AND PILOTS PLANS**

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Fees for other non-recurring audit, tax or consulting services outside the scope outlined above will be fully discussed with management prior to initiation of any work. Such fees will be based upon the number of hours incurred by the appropriate members of our professional staff at their standard hourly rate. Hourly rates for staff and associates, which we would expect to be involved with the Masters, Mates & Pilots Plans would be as follows:

Partners \$
Managers
Seniors
Semi-Seniors
Juniors

Obviously our objective is to match the task to the person with the appropriate expertise to ensure that the job is accomplished with maximum efficiency and is also cost-effective to you.

Irvin Flax and Scott Rodgvile will be responsible for evaluating all billings for accuracy and fairness in light of the work performed **before** they are rendered. Given our previously stated interest in a long-term relationship with you, we clearly understand the need to be fair in our billing as measured against value rendered.

We recognize the importance of fees and cost containment. It has always been our belief that high quality professional accounting services pay for themselves many times over. However, we also understand the importance of these fees in an on-going relationship. As such, we are committed to keeping our fees at a reasonable and realistic level for the high quality service provided. Our goal is to develop a mutually beneficial long-term relationship with the Masters, Mates and Pilots Plans.

We would encourage you to contact any of our clients to discuss first hand our proactive service approach as well as our level of technical expertise. In this regard, a confidential listing of client references is attached. Likewise, we would be pleased to provide you with a cross section of referral sources including bankers, attorneys, insurance professionals, investment bankers, etc...

We deeply appreciate this opportunity to present our qualifications to serve the Masters, Mates and Pilots Plans and you. We look forward to working with you and becoming an important part of your "team." We shall consider you to be an important and valued client of Gorfine, Schiller & Gardyn, P.A. We are convinced that the level of value-added services we provide will meet your highest expectations.

Sincerely,

GORFINE, SCHILLER & GARDYN, P.A.

Irvin Flax, CPA
Director

iflax@GSGcpaonline.com



Scott Rodgvile, CPA
Manager

srodgvile@GSGcpaonline.com

Attachments: Peer Review Opinion, Malpractice Insurance, Sample Report

VII Fee Schedule

proposal to provide employee benefit plan audit services **MASTERS, MATES AND PILOTS PLANS**

PROPOSED SERVICE PLAN

It is anticipated that we will follow the schedule below. This timeline is proposed to facilitate discussion so that this timeline can be finalized based on your specific needs.

Masters, Mates and Pilots Plans Tentative Employee Benefit Plan Audit Calendar Year Ending December 31, 2005	
November 14, 2005	Contact predecessor auditor to review and request copies of workpapers
December 5, 2005	Planning meeting with Masters, Mates and Pilots Plans and review list of requested materials and engagement letter. Preparation of audit confirmations and requests from actuary, third party administrators, and investment custodians.
December 12-16, 2005	Perform interim testing at offices of Masters, Mates and Pilots Plans.
April 17, 2006	All prepared by client (PBC) documents completed by Masters, Mates and Pilots Plans' personnel
April 24, 2006	Formal fieldwork begins
June 1, 2006	Delivery of final audited financial statements and recommendations

FEE INVESTMENT

With regard to fees, following is a breakdown of our estimated fees for the scope of Employee Benefit Plan Audit services requested:

Plan Name	2005	2006	2007
Masters, Mates and Pilots Health & Benefit Plan	\$		
Masters, Mates and Pilots Pension Plan			
Masters, Mates and Pilots Individual Retirement Account Plan			
Masters, Mates and Pilots Maritime Advancement, Training, Education and Safety Program			
Masters, Mates and Pilots Vacation Plan			
Masters, Mates and Pilots Joint Employment Committee			

Total \$

VIII PKF affiliations

proposal to provide employee benefit plan audit services **MASTERS, MATES AND PILOTS PLANS**

Relevant Experience of PKF North America Firms – The following members of our resource sharing network, PKF North America, have direct experience that we can access, if needed, to provide greater value to Masters, Mates and Pilots Plans.

PKF Firm Name	Total Number of Plans Audited	Largest Plan Audited (# of Participants)	Staff with Employee Benefit Audit Experience
Barnes Dennig & Co. (Cincinnati, Ohio)	50	2,850	12
Blackburn, Childers & Steagall, PLC (Greenville, Johnson City and Kingsport, Tennessee)	5	350	3
*Bober, Markey, Fedorovich & Company (Akron, Ohio)	71	21,000	20
Cain, Ellsworth & Co., LLP (Sheldon, Iowa)	6	400	3
Dent, Baker & Company, LLP (Birmingham, Alabama)	14	5,200	5
Gorfine, Schiller & Gardyn, P.A. (Owings Mills, Maryland)	21	1,500	12
Greer & Walker, LLP (Charlotte, North Carolina)	24	10,500	6
Hantzmon Wiebel, LLP (Charlottesville, Virginia)	25	2,100	8
Hutchinson and Bloodgood LLP (Glendale, San Diego, El Centro, Watsonville, and Santa Cruz, California)	10	650	3
Johnston, Gremaux & Rossi, LLP (Walnut Creek, California)	14	4,400	6
Lanigan & Associates (Thomasville, Tallahassee/ Atlanta)	8	300	3
Madsen Sapp Mena Rodriguez & Co. (Fort Lauderdale, Florida)	18	12,000	5
McCauley Nichols & Company, LLC (Jeffersonville, Indiana)	13	600	3
McDaniel & Associates, P.C. (Dothan, Alabama)	12	5,000	3
*PKF San Diego (Los Angeles, San Diego and San Francisco, California)	55	1,200	17
Sample & Bailey, PC (Fort Collins, Colorado)	22	351	6
Smith, Dukes & Buckalew, LLP (Mobile, Alabama)	18	2,000	6
Suttle & Stalnaker, PLLC (Charleston, West Virginia)	9	5,700	5
Sweeney Conrad, P.S. (Bellevue, Washington)	30	1,500	14
The Hanke Group, PC (San Antonio, Texas)	47	23,000	13
Thorn, Lewis & Duncan, Inc. (Dayton, Ohio)	15	746	8
Whittlesey & Hadley, P.C. (Hartford, Connecticut)	21	3,000	4
Wolf & Company, P.C. (Boston and Springfield, Massachusetts)	35	4,500	80
Wolf & Company, LLP (Oakbrook, Illinois)	100	2,300	8
Total Resources	643		253

* asterisk denotes firms who are participating in the audit of Masters, Mates and Pilots Plans.

IX

Client References

proposal to provide employee benefit plan audit services **MASTERS, MATES AND PILOTS PLANS**

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The greatest testimony to our firm's dedication to results-driven service will come directly from our clients. We encourage you to contact any of these people for a reference that is specific to our employee benefit plan audit capabilities:

**Gorfine, Schiller & Gardyn, P.A.
Confidential Client Reference Listing**



Audit Questionnaire

proposal to provide employee benefit plan audit services **MASTERS, MATES AND PILOTS PLANS**

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Questionnaire for Auditing Services Section 1.01

I. **Organization** (The term “organization includes Subsidiaries, affiliates and predecessors in interest.)

A. History and Structure

1. Provide the name and address of your organization, contact person and their telephone and fax numbers, all prior names by which your organization has been known and dates thereof, and the address of the office that would service the Plan’s account.

*Gorfine, Schiller & Gardyn, P.A.,
10045 Red Run Boulevard, suite 250
Owings Mills, Maryland 21117
fax: (410) 581-0368*

Contact: *Irvin Flax, CPA—(410) 356-5900
email: iflax@gsgcpaonline.com*

*Scott Rodgville, CPA— (410) 356-5900
email: srodgville@gsgcpaonline.com*

2. When was your organization founded? (As set forth above, you should include predecessors in interest.)
See Section I —(Firm Overview)
3. When did your organization begin providing auditing services for multi-employer plans?
2000
4. Is providing such services currently one of your organization’s principle lines of business?

Currently less than 10% of Total Revenue

(Continued)



Audit Questionnaire

proposal to provide employee benefit plan audit services **MASTERS, MATES AND PILOTS PLANS**

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B. Maritime Industry

1. Does your organization provide any services to any entities in the maritime industry or affiliated organizations? If so, please list the entity to whom services are provided, describe the services provided and indicate the percentage of last year's revenues that was attributable to such services.

Agreed upon procedures report provided to the Masters, Mates and Pilots Plans in connection with the allocation of expenses for International Organization of Masters, Mates, & Pilots, which represented less than 1% of last year's revenues.

C. License

1. Is your organization authorized to provide accounting and auditing services in the State of Maryland?

Yes

D. Insurance and Claims

1. Does your organization carry professional liability insurance? If so, what level?

See Section II—pg. 3 (Client Services) and the following attachment

2. Is your organization currently aware of any claims that are being made with respect to such policies? If so, please describe.

See Section II—pg. 3 (Client Services)

3. Is your organization currently aware of any notices to the insurer with respect to such policies? If so, please describe.

See Section II—pg. 3 (Client Services)

4. Has any multi-employer plan or other ERISA Plan client ever made a malpractice claim against your organization? Has a claim been filed against your firm or any of its employees alleging violation of any law in connection with services to a client? If so, please describe.

See Section II—pg. 3 (Client Services)

(Continued)



Audit Questionnaire

proposal to provide employee benefit plan audit services **MASTERS, MATES AND PILOTS PLANS**

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II. Staffing and Facilities

1. How is your organization staffed to service its accounts?

See Section IV—pg. 9 (GSG Audit Team)

2. What is total size of your staff? How many of these are certified public accountants?

See Section II—pg. 3 (Client Services)

3. Please list all the names and location of the primary individuals who will be responsible for the audits of the Plans, and provide detailed biographies of such persons, including their tenure with your organization and their location. Please also list the number of clients assigned to each of the persons named.

See Section IV—pg. 9 (GSG Audit Team)

III. Clients

1. Please list all multi-employer plan clients-include the name of each fund, the type of benefits provided by each fund and the duration of your firm's representation of each fund.

See Section IX—pg. 20 (Client References)

2. Please provide, on an attachment, a list of at least three of your multi-employer plan clients as references- include their names, addresses, and telephone numbers.

See Section IX—pg. 20 (Client References)

3. Please list all multi-employer plan clients that have terminated your organization's services during the past 5 years. Indicate their reasons for terminating your services.

See Section IV—pg. 9 (GSG Audit Team)

(Continued)



Audit Questionnaire

proposal to provide employee benefit plan audit services **MASTERS, MATES AND PILOTS PLANS**

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IV. Services

1. Please describe the services you typically provide to multi-employer plans (pension, health, vacation, training, etc.)

Audit of financial statements, preparation of informational returns (Forms 5500 and 990) and agreed upon procedures engagements.

2. Please describe the services that you are capable of providing to multi-employer plans that are over and above those typically provided.

Evaluation of internal controls, fraud examinations and payroll audits are examples of a few of the services provided.

3. Please include a copy of a sample report format that you typically provide to Trustees.

See separate attachment

4. Please provide an estimate of the expected length of time necessary to perform the audit of the Plans, as well as the number of auditors required.

See Section IV—pg. 9 (GSG Audit Team) and Section VII (Fee Schedule) pg. 18.

V. Fees

1. How are your fees normally determined?

Hourly rates in Section VI—pgs. 16-17 (Fee Structure)

2. To the extent that your organization has agreed upon retainer fees, what services are typically covered by retainer?

Our retainer fee covers the engagement start-up, preparation of the annual audited financial statements, preparation of the informational returns (Forms 5500 and 990), management letter with internal control and business related suggestions. The retainer fees are based upon anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the completion our work. Meetings with staff and your Boards are also included in the retainer fee.

(Continued)



Audit Questionnaire

proposal to provide employee benefit plan audit services **MASTERS, MATES AND PILOTS PLANS**

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The type of service requiring additional fees would be audits by IRS, DOL, state authorities or special services requested by The Plans. Fee discussion would occur prior to the undertaking to avoid misunderstandings.

3. Please provide your proposed fixed¹ fee quotation for a one-(1) year, two-(2) year and a three-(3) year period for providing the Plans' comprehensive auditing and tax preparation services.

See Section VII—pg. 18 (Fee Schedule)

4. Please provide a fee schedule listing your firm's hourly rates by individual and position.

Hourly rates in Section VI—pg. 17 (Fee Structure)

Date: August 31, 2005