

## **The application for the status of authorized contractor of “Reef Ball” Foundation.**

**Dear Sirs,**

I would like to request for the status of an authorized contractor of “Reef Ball” Foundation for Russia’s and Ukraine’s territories.

The full company’s name: “Non-Profit Charitable Fund of Underwater Ecological Programs Development “Artificial Reefs”” (briefly "Artificial Reefs" Fund).

The organization was registered on the 13<sup>th</sup> of April 2006, official registration number #1067746493979.

Address: Bestuzhevyyh str. 17-52, Moscow, 127566, Russia.

The founder and the president of the Fund is Mr. Sergey M. Fedotov.

I would like to represent an overview of forthcoming activity of the Fund for your consideration.

### **SUBJECT**

Representing and marketing “Reef Ball” production in Russia and Ukraine.

### **HISTORY OF THE COMPANY**

I have been interested in free-diving since I’ve read Jacques-Ive’s Cousteau book in my childhood, regarding life and death of the corals. In 2005 I organized “Artificial reefs” public festival in Ukraine so for that purpose the Fund “Artificial reefs” was registered.

Unfortunately, «Artificial reefs» were forgotten after the collapse of the USSR. And one of the main subjects is to develop this branch on its very beginning to cover a considerable part of the market with the “Reef Ball” production as the optimal one from both commercial and ecological points of view.

### **PROMOTIONAL RESOURCES**

There some Internet resources that belong to my company:

1. Internet Dive?lub (essential mailing lists for more than 3100 divers): [www.scubadiving.ru](http://www.scubadiving.ru)
2. The only Russian banner network of web-sites dedicated to diving: [www.divebanner.ru](http://www.divebanner.ru)
3. Four web-sites dedicated to scuba equipment sales & marketing.
4. New web-sites dedicated to the Fund: [www.artificialreefs.ru](http://www.artificialreefs.ru) and [www.reefball.ru](http://www.reefball.ru)

The Festival is intended to raise the interest for artificial reefs in Russia and Ukraine, to unite the upcoming projects, and to be abreast of the reef building development. The great efforts are made to cooperate with the Mass Media.

I am going to use my PR opportunities in specialized Mass Media for divers and my own Internet web-sites and mailing lists. That will cover diving centers and potentially interested people all over Russia and Ukraine.

My partner in Ukraine – the head of Resque Divers Guard Services of Emergency Situation Ministry of Ukraine (the equivalent of the US Emergency Management Agency) of the Crimea autonomy – has contacts with the major beaches’ owners and it’s a good perspective for artificial reefs’ building there.

In Russia I have an opportunity to arrange “Artificial reefs Festivals” whenever it is actual, including Baltic and White seas, famous Baikal Lake in Siberia and Japanese sea.

### **PLAN OVERVIEW**

- ?? Together with advertising I'm going to receive bank's credits for the first Reef Ball Molds purchase.
- ?? I'm going to rent to the diving centers the first quantity of Reef Molds together with building training. Thus the production will be started in different Russian and Ukrainian cities.
- ?? I'm going contact cities' mayors, resorts' owners, who have resources for reef building, and with the arising branch of recreational fishing to receive more serious orders.
- ?? Currently, with the help of the volunteers, we are looking for sponsors for the Artificial Reef Festival. As to it, we found that GasProm, the biggest natural gas and oil extracting company in Russia, is probably interested in the project. One of the Russian dive magazines is also interested in sponsorship.
- ?? Pushing the development of "Artificial Reefs" movement all over the world by gathering the volunteering groups to build the reefs in different countries where the reef building increase. Thus promoting the movement and increasing demand for the molds.
- ?? Printing full-colored brochures in Russian language for promotion Reef Ball's technologies and advertising "Artificial Reefs" fond as the Authorized Contractor.

Together with the building of reefs I'm planning to attract volunteers for public projects for building Reef Balls.

Consequently, I will push ahead the project in 2 directions:

1. Business with heavy buyers and diving centers.
2. Public Relations development implied on the help of volunteers and divers-enthusiasts.

## **PURCHASERS**

- ?? In the beginning, Reef Molds rent for diving centers and small companies.
- ?? Selling Reef Molds for companies interested and those who want to build a lot by themselves.

## **MARKET**

The potential purchasers are dive clubs and diving centers – on one hand they are quite small, but on the other hand there are few big diving centers that are able to make mass production, training and etc.

After receiving the status of authorized contractor, I would like to conduct seminars on the Reef Ball building first of all for the executives and instructors of big diving clubs so they will be able to conduct seminars by themselves and rent or buy the Reef Molds. The heavy buyers are beach and resorts owners, the coastal cities and resorts' administration, oil-producing companies and sewer companies, sea ports.

Presently the market is not developed at all but will grow up fast in the next 5-7 years.

## **SPECIALITY OF RUSSIAN MARKET**

Russia is a country with low consumer-price index. Nevertheless here are some companies that will be able to create essential reef projects, when they will realize the necessity. According the consumer-price index and business development Ukraine is retarded for about 5 years from Russia.

## **COMPETITORS**

Nowadays there are only few cases when diving centers try to build underwater objects, which in general are for sculptural and artistic meanings. There are some projects for building the reefs for ecology, for attracting fish and increasing sea biomass, but those are still kept as ideas. At the same time there is information regarding the working out of Reef constructing in different cities of Russia and Ukraine, the owners of which refused from foreign partnership because of higher expenses. Nevertheless I think can overcome this obstacle explaining beneficence of Reef Ball use.

The competition will grow as fast as market. Still I'll do my best to persuade the competitors to use exactly the "Reef Ball" concerning all the advantages of the product.

## **ADVERTISING**

Now a promotion of Reef Ball in Russia is based mostly on Public Relations. After some PR actions there will be advertising in the specialized editions such as diving, fishing and ecology magazines. There will be publications regarding the advantages of Reef Balls as well as some ecology dedicated publications on FOC basis.

Concerning my own experience I may say that every dollar invested in advertising on the Russian Internet is 16 times more profitable than advertisements in printed editions. According to that there will be a large campaign based on conferences dedicated to hydrosphere, reefs, fishing and diving. Nevertheless Mass Media will be attracted as well. Television reports for promoting the production and FOC seminars in child institutions for PR purposes.

Currently my reef projects are on the first two lines of Internet searching engines: the leading [www.google.ru](http://www.google.ru) and [www.yandex.ru](http://www.yandex.ru) in Russia.

Annually since 2004 I participate in Moscow International Exhibition / Show / Festival "Diving". In 2006 I presented a stand for the first time in Russia devoted to artificial reefs. In 2007 I would like to take part in the same show, representing a stand devoted to Reef Ball.

## **DEVELOPMENT**

At present my principal activity is diving equipment commerce on the Internet. But my plans are to redirect my efforts gradually to the "Reef Ball" sales and separate it into independent organization.

## **INVESTMENT**

According my reputation, nine-years record in diving industry and my experience in marketing Hi-End equipment I can attract the needed credits and donations as well as work on the pre-payment basis. Also there are some interested investors we are working with.

## **DELIVERY PERIOD**

The transportation of the reef molds by air from the USA seems unprofitable. The time of delivery by the sea is 2 months, more so the work of the shipping companies with customs in Russia is unstable.

## **RISKS**

There is a risk of the possibility of bigger company entering the market and ready to invest larger amounts in the work out of it's own production. Thus the explanation of the advantages of Reef Ball's technologies and entering the market as the First company is needed as a preventive counteraction.

## **PRODUCT SUPPORT**

I do understand that reef technology is much more than reefs' building for ecology and underwater entertainment. I'm planning to make extras for this technology and to do the projects more interesting, to intensify entertainment part with different sponsors' gifts, prizes and contests from people and companies who support reefs' building movement. Therefore I can make participation – more pleasant for participants, and the project – more interesting for Mass Media and investors.

I'm going to work out the partnership program for those who have already taken part in reef projects and are able to attract new followers.

First of all, the production will be supported by PR campaign in the Mass Media, Internet resources, printed brochures, TV reports. After I get the Molds there will be demonstrations prepared.

## **SALES PROJECTION**

According to the currently non-developed market, I believe ??? the first Molds will be purchased mostly for product and reef technologies promotion. Consequently, the forms will be sold out for other reef projects. Thus the sales volume in the end of the year 2006 will be counted in single units. In 2007 I expect not less than 20000 USD turnover. In a couple of years the steady demand for the forms will be settled.

## **MATERIALS**

There is concrete, Macrosilica and Microfiber available in Russia and Ukraine. ADWA Flow will be bought at “Reef Ball” company.

## **MANAGEMENT AND STAFF.**

The owner and the founder is Mr. Sergey Fedotov.

Work experience:

1985-1988 Military service in Navy Forces.

1988-1991 Long voyage seaman

1992-1997 Trade company branch office (domestic appliances), Director

1997-2003 “AquaPro Systems”, the importer of underwater equipment, General Manager

2003-2006 The owner of Internet-shop of Underwater equipment.

Well experienced in starting and developing Internet and Social projects 1999-2006: Internet DiveClub (more than 3100 divers) and First Social Rating of Diving Mass Media in Russia, two conventions of Divers Internet community, «Artificial reefs» festivals.

Currently there are many volunteers at the reef festival. Nine people are the organizing committee of the second reef festival in Russia and Ukraine. There will be the special employees for the key clients specialized on the wholesale “Reef Ball” orders.

Business consultant is the highly qualified lawyer and management lecturer, media consultant is a specialist from one of the diving magazines.

## **OTHER PARTNERS**

I will organize artificial reef building in the context of the PADI AWARE PROJECT in cooperation with Russian PADI Distribution Centre. Having molds for rent, I will be able to include this program in the list of specializations of Russian PADI distribution center.

There is an agreement with Russian Underwater Federation regarding including reef constructing as one of the courses in educational program. Russian Confederation of Underwater Activities also supports these courses under it’s brand.

The Science partners at the 2<sup>nd</sup> “Artificial Reef Festival” will be Azov’s Scientific Research Institute of Fish Industry and Biological Station of Nature Reserve of Karadag.

**Regarding of what is said above, I would highly appreciate the contract with the “Reef Ball” Foundations and will do my best to promote the product and technologies as well as to provide the highest quality of services as official contractor.**

**Thank you for your time and attention!**

*Sincerely yours,  
Sergey M. Fedotov*

August 06, 2006