

**THE GOVERNMENT OF MONTENEGRO
PRIVATIZATION COUNCIL
Tender Commission for Tourist Valorization
Trašte – Bigovo Site**

**INVITATION FOR EXPRESSIONS OF INTEREST IN THE
DEVELOPMENT OF A UNIQUE ASSET ON THE ADRIATIC COAST**

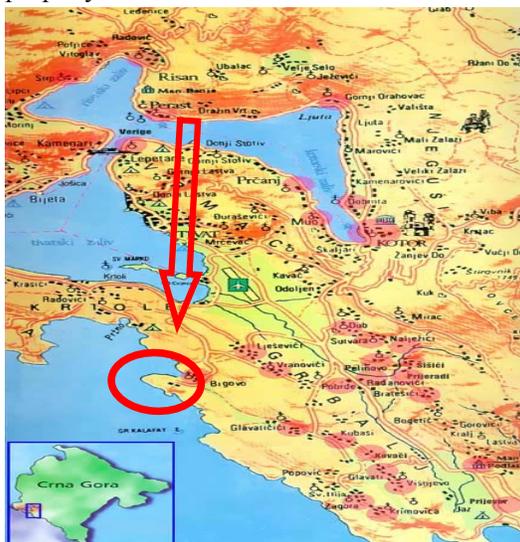
The Government of Montenegro invites experienced international investors with demonstrated financial capacities, and experience in the design, construction, marketing and management of exclusive, ecologically sensitive, and economically profitable resort complexes, to submit expressions of interest for the long-term lease of a unique seaside property at Bigovo, situated directly on the Adriatic coast of Montenegro. This site is one of the most unique in Montenegro, a nation that is currently, and is anticipated to be over the next ten years, one of the fastest growing tourism markets in the world.

The intention is to create a world-class destination resort, likely of multiple use, offering a broad range of upscale leisure alternatives through the design and operation of a resort which is conceptually, esthetically, functionally, and ecologically in harmony with the natural beauty and striking physical position of this property.

The tender process will include the submission of initial Expressions of Interest in response to this Invitation, followed by a formal tender expected to be launched in March 2008, and including solicitation of formal bids, bid evaluation and selection, and subsequent negotiation.

Project description

The Bigovo cove, situated within the area of Donji Grbalj, is on Trašte bay, between the cities of Budva and Tivat and adjacent to the historic fisherman’s village of Bigovo. There is easy air access to the property via Tivat’s international airport, which is only 20 kilometers from the site. In addition, international airports at Podgorica (90 minutes) and Dubrovnik (90 minutes) provide additional international access. Road access is excellent, with a paved road already existing directly into the property.



The site is located on a peninsula, and extends from the seacoast inland almost fully across the peninsula to the bay side, as indicated on the map to the left. The site is near the historic walled town of Kotor and to numerous other tourist attractions, while at the same time offering a sense of seclusion. The site encompasses 38,940 square meters of land area, with leisure facilities currently on 2,873 square meters. (Referenced in Montenegrin records as Cadastre Lot 2788, deed 243) Depending on the ultimate project design, the 43 antiquated small structures currently on the property (most of which are small bungalows) would likely be removed and replaced with new structures or open space.

Comprehensive public utilities infrastructure is in place servicing the property, providing electricity, water supply, a reservoir, and a pumping station, as well as wastewater infrastructure.



Goal of the Tender

The intent is to create a leisure asset of the highest quality utilizing – and maintaining – the beautiful natural surroundings. The site is a good fit with a five star, international class resort targeted at upscale international travelers seeking a special environment in which to enjoy their leisure. It is intended that the property will be developed in harmony with, and maintain, the natural ecology and beauty of the area, while providing a world class range of leisure activities, delivered at an international five star level. In order to achieve that goal, we would expect that the investor will themselves be, or be associated with (and ultimately bid in consortium with) a recognized international operator of substantial experience and very high quality.

The proposed project should, and can, be a model of high level sustainable development. We consider true sustainability to encompass not only environmental sustainability, but cultural and aesthetic, and economic, sustainability as well. Thus, the project must be sustainable environmentally by a.) minimizing its impact on surrounding ecosystems, and b.) minimizing CO2 emissions. It must also be sustainable culturally and aesthetically by minimizing its visual and spatial impact, with a density and scale that is consonant with, and respectful of, the available space and setting. The proposed project should be reflective of Montenegrin visual and design traditions and sensibilities, and bring the essence of Montenegro into its space through design cues, thematic elements, and programmatic and operating features. Finally, and importantly, the program must also be sustainable economically, with a realistic and sustainable mix of land uses, a realistic level of investment sufficient to completely realize the product as proposed. The project must also offer a sufficient return on investment, in order to assure the continued and long term operation and improvement of the asset.

It is intended that the complex will through its design and operation offer a powerful example of wise development, offering both economic returns to all stake-holders and an example of high quality design and operation that is sensitive to the environment and the community. To achieve this goal, bidders will be expected to utilize architectural and design services of the highest international standard, while assuring that the design is both distinctive and consonant with both the natural environment and Montenegrin culture, so that Montenegrins of today and of future generations can continue to enjoy this area's natural beauty and vistas. In fact, we believe that this project should and can serve as one of several key examples of Montenegro's commitment to balanced, innovative, sustainable, and economically positive development.

Financial Structure and Conditions

It is anticipated that the transaction will be effected through a long term lease of a duration sufficient to provide a reasonable return on investment for the lessee. The lessee will pay a rent based on total turnover, in conjunction with a minimum guaranteed rent also to be established, so that the lessee will pay the greater of the minimum, or turnover based rents.

During the formal bid evaluation process, the level, timing, and structure of rent proposed by each potential lessee in their bid will be an important criterion in the selection process, as will the level, type and timing of the initial investment proposed. The lessee will be required to submit a comprehensive and detailed investment plan covering a minimum of the first 36 months of the project.

It should be noted that the Government of Montenegro is open to alternative financial structures, including a joint venture, though any such alternate structures must of course be consistent with the laws of Montenegro, must maintain an appropriate allocation of value, and must be consonant with the long term interest of the people of Montenegro.

Bidder Qualifications

A potential bidder may express interest, and subsequently bid, either as a single entity or on behalf of a consortium. An individual bidder, or the members of a consortium collectively, must fulfill the following conditions:

- A bidder must be, or the bidding consortium must include, at least one internationally recognized hotel operator and brand operating multiple four plus and five star resorts, similar in quality and scale to the proposed project.. The operator must be recognized internationally for the quality of its product, for the power and relevance of its brand, and for its strength in consumer marketing, direct sales, and distribution.
- A bidder must be experienced in planning, developing and managing projects similar to that proposed, projects of substantial complexity and environmental sensitivity targeted at an informed and demanding global customer base. The potential bidder should be able to demonstrate the ability, expertise and experience to complete complex projects on time and on budget, as well as the ability to fulfill all spatial, architectural, engineering, technical and regulatory requirements associated with a large scale and environmentally sensitive multi-use project such as that proposed. Thus, a bidder must be able to demonstrate their intention and capability to complete this project on a timely and complete basis as proposed in the bid.

A bidder should also have at least ten years of continuous experience in the development, construction, marketing and management of hotels and resorts of international four star plus quality or greater, or, alternatively, have substantial experience in the development construction, marketing and management of complex multi-use developments such as that proposed.

- Each bidder will be required to demonstrate that they clearly and conclusively have the financial means and capability to finance the project as proposed, with reasonable provision for project modifications and cost overages, and demonstrate that they are able to secure such financing on a timely basis.

Each bidder will ultimately be required, as part of the tender process (though *not* as part of the initial Expression of Interest) to:

- Submit, at time of bid, a comprehensive development and project concept for the subject property. This plan must be in compliance with the land use and other requirements of the Spatial Plan for the Coastal Zone Area. It must reflect a commitment to the highest international standards of architecture, planning and engineering, as well as reflect the aesthetic, stylistic and historical sensibilities of the area, and of Montenegro. It must also recognize and address Montenegro's commitment to environmentally sensitive development. The proposal should reflect a level of investment sufficient to create a project with enduring appeal to demanding and sophisticated travelers, and should include a description of the nature and level of proposed investment, if any, in public infrastructure to support the demands placed on such infrastructure by the project.
- Recognize and make provision for the management and maintenance of the subject property and beach in accordance with the requirements of Morsko Dobro, the public entity responsible for the management of coastal areas. A separate agreement, to be consummated once the winning bidder is identified, is to address a number of areas, including, but not limited to, beach rights and fees, ecological management, etc.

More detailed information about the property, and about the tender process, can be found in the tender documentation, including the Instructions To Bidders, Information Memorandum, Draft Lease Contract, etc. which will be available to interested bidders once the formal tender process is initiated.

Expression of Interest

Potential bidders are encouraged, through this invitation, to express their interest in potentially participating as a bidder in the tender process. Such an expression of interest is in no way binding. Expressions of Interest should include a.) a description of the potential bidder's financial and operational resources, b.) a summary of relevant project experience c.) a full description of all members of a potential bidding consortium, should such a consortium be contemplated (including all entities involved in planning, developing, financing, managing, operating and selling/marketing the project), d.) a general summary of the concept and scope of the project to be proposed.

In addition, a potential bidder should provide general parameters of the transaction structure they expect to ultimately propose, including any interest in non-lease transaction structures such as a joint venture.

Potential bidders will be provided with the opportunity to visit the property.

Expressions of Interest must be received at the address provided below by the close of business on March 3, 2008.

Bid Submission and Evaluation Process

Detailed documents in regard to the property and the tender process will be made available to all qualified bidders to assist in the formulation and preparation of their bid. Each bid will be comprehensively evaluated by the Tender Commission, using an explicit point based evaluation system, the details of which will be explained in the bidding documentation provided to each bidder.

It is expected that the formal tender for this property will be announced and issued during the first half of March, 2008.

Selection of Winning Bidder and Negotiation

After selecting the winning bid and informing the designated bidder, the negotiation process will be initiated, with the goal of completing an agreement on as timely a basis as possible. Should an agreement not be able to be reached, the second ranked bidder will be selected, and negotiations will then be initiated with that party.

We invite you to initiate your participation in this process, without obligation, by responding to this invitation and expressing your interest as described herein.

All questions regarding this invitation, or the tender process, should be sent to the following address:

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Contact: Ms. Marina Pavićević, Commission Secretary
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