

**GOVERNMENT OF MONTENEGRO
MINISTRY OF TOURISM AND THE ENVIRONMENT**

**INVITATION FOR EXPRESSIONS OF INTEREST IN THE DEVELOPMENT OF ADA BOJANA
ISLAND, AN UNSPOILED ASSET ON THE ADRIATIC COAST**

The Ministry of Tourism and the Environment, on behalf of the Government of Montenegro, invites experienced international investors with a proven track record in the design, construction, management and marketing of exclusive multi-use resorts to express their interest in the development, construction and management of Ada Bojana, a unique resort island directly on the Adriatic Coast.

Project Description

The dramatic topography of Montenegro - from its exquisite coastline to its breathtaking mountain vistas - has contributed to making Montenegro among the fastest growing tourism markets in the world, attracting an increasing variety of visitors from around the region, and around the world



In fact, the World Travel and Tourism Council projects that Montenegrin tourism will grow at over 8% per annum over the next eight years. The development of Ada Bojana Island is intended to create a unique resort combining luxury with a concern for, and sensitivity to, true environmental, social, and economic sustainability. The property is one of several key jewels in the Government of Montenegro's strategy of balanced and diverse tourism development, which includes mountain, beach, marine and cultural components,

The approximately 500 hectares of Ada Bojana Island are set in a unique and pristine natural setting on the Adriatic seacoast, offering a singular opportunity for investors, developers, and operators who share the Government's vision for a high quality, branded, multi-use development of the highest standard and quality.

Ada Bojana, part of the Ulcinj area of Montenegro's southern coast, is located at the mouth of the Bojana River, on the Adriatic Sea. There are almost three kilometres of broad sandy beachfront with an average width of 30 meters. This wide sandy beach (which is constantly being replenished by sand from the Bojana River), and the beautiful inland areas available for recreation, make this site unique in scale and character in the region. The ecological richness and diversity of the island is a function of the myriad of indigenous flora and fauna, and their natural habitats which together offer an environment unique on the Adriatic coast.

The island is fully owned by the State of Montenegro. The Montenegrin Government intends to enter into a long-term lease agreement for approximately 100 hectares of the island's total of approximately 500 hectares, with the remainder remaining as a nature preserve. The winning bidder will gain the right to develop and manage a deluxe eco-sensitive resort complex offering a range of leisure and recreational activities - a resort that is conceptually, aesthetically, functionally and environmentally in harmony with the natural beauty and environmental richness of the island.

Under the appropriate terms, the Government is willing to consider the leasing of the entire island, provided the leaseholder commits to manage the Nature Preserve, and maintain its pristine nature and rich biodiversity as a part of overall operation of the resort.

Purpose

The Regional Master Plan for the Ulcinj area envisages the development of upscale tourism, including up to 2,500 hotel beds, for Ada Bojana, depending on the type of resort to be developed. However, this is an upper limit, not a minimum, and the development of this number of beds is not required. It is intended that the resort will include at least one and possibly several hotels, to be designed and operated in accordance with international standards at a four star plus or five star level, and managed by a recognized international hospitality brand or brands. In addition, the opportunity to develop villas and other residential units for long-term lease, as a part of an integral plan to include an appropriate mix of land uses, including leisure and recreational facilities, will also be considered.

The unique natural setting and secluded location of Ada Bojana facilitate the development and operation of an exclusive hotel resort or village, likely of low rise configuration, which reflects the aesthetic and architectural traditions and sensibility of the region. Structures should be integrated into, and well blended with, the natural surroundings, while offering a wide range of recreational activities. The lessor intends for the proposed development to be considered a model for environmentally, socially and economically sustainable development at a high level of quality, beautifully created and aesthetically refined. It is expected that Ada Bojana will be a resort in which wise design and sensitive operation will allow the natural setting on the one hand, and leisure activities on the other, to effectively co-exist, without compromising either.

Bidders will be expected to utilize architecture, design and engineering of the highest international standard, implemented in a manner well suited to and complementing the natural setting in order to assure that both current and future generations will have the opportunity to enjoy this special place with its diverse flora and fauna and peaceful setting. The lessor considers the achievement of a well-integrated and environmentally sensitive development part of an important commitment to the people of Montenegro, and expects the project to be a positive addition to the beautiful Montenegrin coast.

Financial Requirements

The lessee will pay a rent based on turnover, with a minimum guaranteed rent also to be established. Thus, the lessee will pay the higher of the turnover based rent or the minimum rent. The amount, timing and structure of the rent proposed by the lessee will be an important criterion in the evaluation of bids.

The lessee will be requested to submit an investment plan covering the period of 36 months from the signing date of the lease. The nature, amount and timing of intended investment will also be an important criterion in the evaluation of bids.

A long-term lease agreement will be signed with the successful bidder, of a duration sufficient to offer the lessee an appropriate return on investment.

It should be noted that the Government of Montenegro is open to the consideration of certain alternative financial structures, such as a joint venture structure, for the initial stage of development, though of course any such alternate structures must 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 well known 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 have experience in planning, developing and managing projects similar to that proposed - projects of substantial complexity and environmental sensitivity targeted at an informed and demanding global client 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, the 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 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 that they are able to secure such financing on a timely basis.

Please note that the European Bank for Reconstruction and Development has expressed its support for this project, and is willing to consider a role in its financing.

Each Bidder will be expected during the tender process, among other requirements, to:

- Submit at time of bid a comprehensive development and project concept for the property. This plan must be consistent and in compliance with the land use and other requirements of the Special Purpose Spatial Plan for the Coastal Zone. It should 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.
- Ensure that the project is designed to the highest international standards, and that the materials and finishing used are typical of leading luxury hotels and resorts worldwide in order to offer a physical environment of the highest standard consistent with demanding upscale global travellers.

Manage and maintain the resort and beach in compliance with the requirements of Morsko Dobro, a public authority established to preserve and manage coastal zones. An agreement will have to be negotiated with Morsko Dobro regarding the specifics of these matters, such as energy management, beach maintenance and management, recycling, etc.

- Recognize and make provision for the management and maintenance of certain aspects of the subject property and beach in accordance with the requirements of Morsko Dobro, the public entity responsible for the management of coastal areas. An agreement with Morsko Dobro, to be consummated once the winning bidder is identified, will be required to address a number of areas including beach management, recycling, etc.
- More detailed information about the property, and about the tender process, will be available in the tender documentation, including 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 expression of interest is in no way binding.* Expressions of Interest should include: 1.) a description of the potential bidder's financial and operational resources, 2.) a summary of relevant project experience, 3.) a full description of all members of any bidding consortium, should such a consortium be contemplated (including all entities involved in planning, developing, financing, managing, operating and selling or marketing the project), and 4.) 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 contemplate proposing, including any interest in alternative structures such as a joint venture.

Potential bidders will be provided with the opportunity to visit the property and to obtain additional information.

Expressions of Interest must be received at the address below by the close of business on May 5, 2008.

TENDER PROCEDURE

Bid Submission and Evaluation

Once the tender is formally issued, detailed tender documents will be made available to all bidders, and will include additional detail in regard to the site, required bid components, etc. Each bid will be expected to contain detailed conceptual, design and operational plans, as well as a detailed financial proposal including proposed lease structure and duration, as well as other data as may be required by the bidding documentation, such as possible investment in supporting public infrastructure. *Please note that these requirements are provided for informational purposes, and apply to the submission of final bids, and not to the Expression of Interest which is invited through this document.*

Each bid will be comprehensively evaluated by the Tender Commission, using an explicit point based system, the details of which will be explained in the bidding documentation provided to each bidder.

It is expected that the tender for this site will be issued in the first half of June, 2008.

Selection of Winning Bidder and Negotiation

After choosing the winning bid and informing the designated bidder, the negotiation process will be initiated, as detailed in the formal tender documentation, 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 with that party.

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

All communications and enquiries concerning this Invitation should be directed to:

Government of Montenegro
Tender Commission for Tourism Development of Ada Bojana
Jovana Tomaševića 1
81000 Podgorica, Montenegro
Tel: +382 81 246 411
Fax: +382 81 245 756
Contact: Tanja Borozan, Secretary to the Tender Commission
E-mail: t.borozan@mn.yu