

**THE GOVERNMENT OF MONTENEGRO
PRIVATIZATION COUNCIL
Tender Commission for Tourist Valorization
“Mediterranean” Resort Complex - Žabljak**

**INVITATION FOR EXPRESSIONS OF INTEREST IN THE
DEVELOPMENT OF A ONE OF A KIND MOUNTAIN RESORT SITE
IN NORTHERN MONTENEGRO**

The Government of Montenegro invites experienced international investors with demonstrated financial capacity and experience in the design, construction, marketing and management of exclusive, ecologically sensitive and economically successful resorts to submit expressions of interest for the long-term lease of the “Mediterranean” complex in Žabljak (the property is actually located within the pristine Durmitor National Park), to include the creation and management of an exclusive hotel/resort enclave of the highest quality and sensitivity to the environment.

This asset’s location within a national park is indeed unique. While it has direct access by paved road, the location evokes a feeling of almost wondrous isolation and connection with nature. It is adjacent to, and walking distance from, the famous Black Lake, and is completely surrounded by towering pines. Views from the site are of nature’s wonders – soaring pines and towering mountains – unencumbered by man-made intrusions.

The intention is to create a world-class resort that is intimate in feeling as well as conceptually, aesthetically, functionally and ecologically in harmony with the incredible natural beauty and striking physical position of this property.



Project Description

The site is located in Žabljak, 1456 meters above sea level, in the center of the Durmitor National Park. Žabljak is the highest town in the region, and is not only a center for skiing and winter activities, but with fresh mountain air, hiking and biking through beautiful valleys, and beautiful views year round, it is also a summer destination. The subject property is only 200 meters from the exquisite Black Lake, thus allowing almost immediate access by foot to this magical setting of dark water, sweeping forests and towering mountains. Despite this desirable sense of quiet privacy, there is a bank, post office, market, shops, etc. within walking distance of the site, in the town of Žabljak.

The current complex includes reception and restaurant facilities, and twenty bungalows. The site totals 13,951 square meters, of which existing facilities (which would likely be replaced with new structures or open space) account for 971 square meters. The site and structures are registered as unencumbered state property in Zabjak Municipal Cadastres 2235 and 1113.

The property's setting is virtually without equal in the region, and beyond. The Black Lake, so called for the mysterious deep hue of its waters under certain lighting conditions, is surrounded by tall pine forest, with mountains as a dramatic background and numerous hiking paths traversing the area. The Durmitor region, a national park since 1952, offers dramatic vistas, and includes the second deepest canyon in the world, the Tara, with the rapids of the Tara River rushing below. Rafting is available both for the experienced sportsperson, and as a tourist activity. Eighteen glacial lakes, all at approximately 1500 meters above sea level, are distributed throughout the dramatic topography of the area.

The region is also home to an incredibly complex ecosystem and thus to diverse flora and fauna, including over 1300 kinds of plants, and dramatic trees such as 50 meter black pines, making the area a rich showcase for nature lovers. In addition, within the Durmitor National Park one can also find remnants of ancient burial areas, bridges and watch-towers, monasteries, water mills, and old village homes in the traditional Montenegrin style, among much else.

The Durmitor area's special combination of breathtaking natural beauty, pristine environment, and cultural assets has led to the National Park (within which the subject property is located) being designated a World Heritage Site. In addition, the Tara River and Tara Canyon have been included, in UNESCO's Man and the Biosphere program.



Goal of the Tender

The dramatic and unique setting of the subject site, and its ecological sensitivity and position within a national park mandates that this project be developed and implemented with acute and constant attention to its ecological impact and implications.

The proposed project should, and can, be a model of high level sustainable development in a mountain setting. We consider true sustainability to encompass not only

environmental sustainability, but cultural, aesthetic, and economic sustainability as well. Thus, the project must be sustainable environmentally by minimizing its impact on surrounding ecosystems as well as minimizing CO2 emissions. It must also be sustainable culturally and aesthetically by minimizing its visual and spatial impact, utilizing a density and scale that is consonant with, and respectful of, the available space and setting. The proposed project should be reflective of the visual and design traditions and sensibilities found in Northern Montenegro, and should bring the essence of Montenegro's rugged and beautiful North, as well as its national traditions, into its space through design cues, thematic elements, and programmatic and operating features.

Thus, it is expected 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 a world recognized example of high quality design and operation that is sensitive to the environment and to 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 expect that this project should and will serve as one of several key examples of Montenegro's commitment to balanced, innovative, sustainable, and economically positive development.

Given the setting, we would expect that the density of structures would be limited to a level that will create a luxurious yet natural setting for guests, surrounded by the area's scenic beauty, while limiting environmental impact. We see a well integrated and ecologically sensitive development fulfilling an important obligation to the people of the region and of Montenegro for wise development, and it is expected that the project will have an important and signal role in the overall development of the nation's northern region.

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 proposed initial investment. 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:

- The 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.

- The 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 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, 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 must demonstrate that they are able to secure such financing on a timely basis as will be required in the Instructions to Bidders.

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 consonant with, and in compliance with, the land use and other requirements of the Spatial Plan for the Durmitor National Park, and any other existing and applicable spatial planning.. It must reflect a commitment to the highest international standards of architecture, planning and engineering, appropriate to exclusive and eco-sensitive mountain resorts, 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 project concept must fully recognize and reflect this project's unique location in the center of a national park, and the environmental sensitivity of the location. The proposal should reflect a level of investment sufficient to create a project with enduring appeal to demanding and sophisticated global 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.
- Fully respect the laws, regulations and guidelines associated with, and related to, the property's position in the Durmitor National Park, as well as any international guidelines and regulations associated with such a location. In addition, special care must be taken to minimize carbon and other emissions, in order to serve as a model for environmentally sensitive design and operations in the region and beyond.

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), and 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 choosing 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 started 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, and the tender process, should be sent to the following address:

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Contact: Ms. Marina Pavićević, Commission Secretary
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