

**GOVERNMENT OF MONTENEGRO**

**PRIVATISATION COUNCIL**

TENDER COMMISSION FOR THE PRIVATISATION OF "LUŠTICA DEVELOPMENT" AD  
PODGORICA

**PUBLIC INVITATION**

**for Participation in the Tender for the Sale of 22,500 Shares, Initially Representing 90% of the Equity of Luštica Development AD Podgorica, a Special Purpose Entity Related to the Development of a Site on the Adriatic Coast Known as Luštica**

The Government of Montenegro invites qualified international investors ("Investors") with substantial and demonstrable financial resources, as well as design, construction and operating experience in large and complex mixed-use resort projects, to submit their bids for the purchase of 22,500 shares, representing 90% of the equity of "Luštica Development" AD Podgorica, a special purpose entity owned by the state of Montenegro. This entity, and thus the selected bidder, will then enter into negotiations in regard to the development of the subject property.

Lustica Development AD Podgorica will be granted the right and obligation to implement a large scale investment program for the development of property in the area generally known as Lustica. This entity will be further capitalized with an increase of at least 100.000.000 Euros and such capital increase will be followed by public offering of a 30.000.000 Euros interest to the citizens of Montenegro. An interest in this public offering will be available to each Montenegrin citizen, in a fraction based on the population of eligible adult citizens, assuring that the initial offering to the public will give each Montenegrin the opportunity for an ownership interest equal to that of every other adult Montenegrin. Any shares not purchased by the public will be required to be repurchased by the Investor.

**Corporate Details:**

Name: Luštica Development AD Podgorica,

Registration number: 4-0008824/001

Address: Jovana Tomaševića br 1, Podgorica, Montenegro

By a decision of the Government of Montenegro on June 5, 2008, Luštica Development AD, based in Podgorica, was given the long-term lease for the land owned by the state in KO Gošići, Radovići, Nikovići, Krašići, Milovići and Bogišići with a total area of 6,487,331 m<sup>2</sup>, as well as an additional 325.906 m<sup>2</sup> owned by Muinicipality of Tivat, all within the territory of the Municipality of Tivat, equalling a total of 6,813,237 m<sup>2</sup> for the purpose of tourism related development. Additional 4.000.000 m<sup>2</sup> of land is potentially expected to be available for development after the anticipated resolution of certain pending legal matters.

Detailed data related to the special purpose entity formed for the purpose of this transaction, 'Luštica Development' AD Podgorica, is given in the tender documents, and will be made available to tender participants upon signing of a Confidentiality Statement and payment of the applicable documentation fee.

Participation in the tender will be available to interested persons and entities (including consortia) which have purchased the tender documents, signed the Confidentiality Statement as specified herein, and paid the applicable fee. Such persons and entities are hereafter referred to as a "Tender Participant".

**ELIGIBILITY CRITERIA**

Bids will be accepted from a Tender Participant whose Bid meets each of the following criteria:

- The Bidder must be, or include as part of the bidding consortium, a commitment from an international hotel management brand to join the bidding consortium. The hotel company should be internationally recognised and known as a successful operator of at least ten

hotels in five or more nations of an international four or five star standard. In addition, the Bidder must own (directly or through an entity in which the Bidder holds at least 51% interest and has managing control) at least five hotels of international four or five star standard in at least 2 nations.

- A Bidder must have at least 10 years of continuous and substantial experience in planning, developing and managing complex, extremely high quality “mixed-use” developments, including hotel, residential, retail and recreational facilities, of a size not smaller than two million m<sup>2</sup> of developed area, appealing to and serving an upscale, demanding international clientele.
- A Bidder must demonstrate ownership or effective control of a business or businesses that collectively have a.) a positive net operating profit, excluding special items, in each of the three most recent annual reporting periods and (b.) a total cumulative turnover of at least €1 billion over the total of the three most recent annual reporting periods, or (for publicly listed firms) a market capitalization of at least 1.5 billion Euros.
- A Bidder must prove clearly and specifically that they possess the financial capability and resources required to implement the anticipated project on a complete and timely basis under the terms specified in the Instructions to Bidders. This includes, but is not limited to, a demonstrated ability to provide a 100 million Euro deposit, as may be required to effect the subject entity’s increase in capital and as evidence of the Bidder’s liquidity and timely access to capital. Verification of the bidder’s financial capability must be provided by a major international bank of AA rating or higher.

Compliance with eligibility criteria will be assessed after, and based on, receipt and opening of a Bid submission.

A Tender Participant may establish a consortium, for purposes of bidding, and submit a Bid as such a consortium, providing that the respective responsibility and obligations of each and every consortium member is defined and made explicit as part of the Bid and that the Bid demonstrates that consortium members are able, jointly and collectively, to meet all Eligibility Criteria. Evidence of each consortium member’s awareness of, and capability to fully and satisfactorily fulfill, their stated obligations and responsibilities must be provided as part of the Bid.

***BIDDERS SHALL, INTER ALIA, BE EXPECTED:***

- To propose a structure and level of annual rent, which is going to be paid by Luštica Development AD, the guaranteed level of which shall in any case be no lower than €0.10 per square meter. The level and structure of rent proposed will be one of the criteria in the assessment of that Bid.
- To propose an Investment Plan which specifies the nature and timing of investment, and the anticipated source of required investment capital. In any case, it is expected that a minimum of \$150 million Euros will be required during the first three years of the investment cycle to effect the quality of development anticipated and desired. The proposed Investment Plan will be one of the Bid Evaluation Criteria
- To submit a comprehensive and coherent development and design concept for the subject property that is consistent with both existing and anticipated land use planning, as well as with the highest international standards of excellence and innovation in architecture, design, planning, engineering, land use and sustainability. It is expected that the project will complement, not conflict with, the natural setting and environment, and be seen as a model of progressive and innovative design and development. It is further expected that the concept, design, aesthetic sensibility and finish of the proposed project will be consistent with, appeal to, and exceed the expectations of the most selective international guests. ;

The Government of Montenegro thus invites interested parties to submit a written request to the Commission at the below address for the purchase of tender documents, with such request to be labelled as follows: "Request for the Purchase of the Tender Documents", with such request received by the Commission by post, e-mail or fax at the below address. Upon completion and submission of the Confidentiality Statement (available from the commission), and payment of the €50,000 Tender Documents Fee, full tender documentation will be sent by post, e-mail or fax, as specified, to Tender Participants. The Confidentiality Statement must be delivered to the Commission, and the fee received in the account of the Privatisation Council not later than **October 13, 2008 at 10:00 am local time.**

Tender Participants will be provided access to the subject property, and to a data room containing documents relevant to the Bid Process and available for inspection and review, **between August 15, 2008 and October 13, 2008.**

To be considered, Bids must comply in form and content with the requirements specified in the tender documentation, and must be delivered to the Commission by **October 14, 2008 at 15:00 local time.**

Together with the Bid, a Bidder is to provide either a cash deposit, or an unconditional guarantee for the benefit of the Privatisation Council, in the amount of €1,000.000 to be issued by a bank holding a Standard and Poors AA rating or above, or otherwise approved by the Commission at its sole discretion, in response to a Bidder request for such approval.

The Bidder signing the Purchase and Sale Agreement shall be obliged to pay the amount of the purchase and sale price in money to the account of the Seller within the timeframe stipulated in the Purchase and Sale Agreement.

The Commission reserves the right to extend the deadlines specified herein.

For all enquiries concerning matters related to this Public Invitation specifically, or this Tender generally, please contact the Commission at the below address:

**Tender Commission for Privatisation of Luštica Development AD Podgorica**

**Attn: Dr. Igor Lukšić, Commission Chair**

**Stanka Dragojevića bb**

**81000 Podgorica, Montenegro**

**Tel:/Fax: + 382 20 225 913**

**E-mail [ddarmanovic@cq.yu](mailto:ddarmanovic@cq.yu), [marko.vujovic@gov.me](mailto:marko.vujovic@gov.me)**