

## CASE STUDY: SALE OF HOTEL-TOURIST COMPANY „BOKA” FOR PENAUTS

**I: INTRODUCTION:** Once the most important tourist company in Herceg Novi was sold in late 2007, so the buyer would invest in the reconstruction of existing and construction of new hotels in order to improve the tourist offer of the city and increase number of jobs. However, nine years later, almost nothing has been invested in once prestigious hotels, while some locations, where construction of new hotels was planned, are turned into parking lots. Employees have not been receiving salaries for months, which threatens the existence of their families, while the buyer's company is bankrupt.



*Hotel-tourist company manages valuable real estate on the coast*

The case study shows how a valuable tourist complex, which includes valuable land and buildings, was sold at much lower price than what was its market value, and that the government concluded a detrimental contract with the buyer - the company of Dragan Brkovic, a businessman from Podgorica - who was favored at the expense of the public interest.

The study further shows how the alleged strategic buyer did not fulfill contractual obligations, but this was not enough for the Government to terminate the contract with him. Instead, he had additional benefits and extended the deadline for implementation of the investment plan. However, the investor did not respect extended deadlines either.

Also, it shows below how Dragan Brkovic's company bought a hotel complex in Herceg Novi on a bank loan, which was not repaid subsequently, thus forcing the businessman to guarantee for investments with his own real estates. The price of those real estates was estimated to a much larger amount than they are worth according to the market and was not sufficient to guarantee the investments.

Today, the real estates of the hotel group "Boka" are also burdened with mortgages, while a whole series of moves made in this investment, which was presented by the Government as strategic, suggests that there was an intention of responsible individuals in the executive branch to allow Brkovic to take hands on a valuable asset. This indicates severe abuses of official duties that are in the zone of criminal responsibility, thus making engagement of the state prosecutor's office necessary.

Even in the beginning of 2016, the Government has not presented a way out of the impasse in the case of "Boka" in order to stop further deterioration of the tourism industry in the whole country, not only in Herceg Novi, or create new jobs.

## I: HTP „BOKA“ ON THE EVE OF PRIVATIZATION AND SALE TO BRKOVIC'S COMPANY

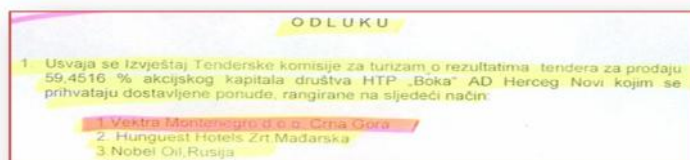
**II: HTP „BOKA“ ON THE EVE OF PRIVATIZATION:** Hotel-tourist company "Boka" represented a key carrier of development of the tourism industry in Herceg Novi for years. There were 222 employees on the eve of privatization of the company, while the property of the tourist complex was over 126 thousand square meters of land and almost 50 thousand square meters of facilities, such as the once prestigious hotels "Plaza", "Tamaris" and "Igalo" or restaurants "Žanjice" in Lustica and "Galeb" and "Levanger" in Herceg Novi. All those tourist facilities are located at attractive locations of Herceg Novi bay.

In 2005, before the sale, almost 18 thousand guests stayed in the hotels, spending more than 116 thousand nights. The majority owners of the company were three state-owned funds - the Fund for Development, the Fund for Pension and Disability Insurance and the Employment Agency of Montenegro - which owned 57.2 percent of the total equity. Two other important owners were the Hungarian company "Forras Rt" with 16.7 percent of share and "Hunguest hotels" with 16.5 percent (which later participated in the tender for the purchase of "Boka"), while a large number of individuals and legal entities owned the rest of the shares.<sup>1</sup> According to the Central Depository Agency, which was later outlined in the purchase agreement, shareholders' equity amounted to €70.6 million.

**III: TWO UNSUCCESSFUL SALES:** The Government published the first public announcement for the sale of the hotel company in May 2005, offering 57.2 percent of shares of state-owned funds. Although at first the Privatization Council accepted the offer from the Czech company "PQ Consulting", this tender was suspended because the first-ranked company waived of competition after several months of negotiations.<sup>2</sup>

The second public announcement was published in March 2006, when a higher number or 59.4 percent of shares, in the meantime acquired by the funds, was offered. Out of four offers, three were evaluated as valid: Consortium "Hunguest hotels" & "Arago" from Hungary, the company "Meat investments" from Amsterdam and the company "Vektra Montenegro" from Podgorica. However, the tender failed because the Privatization Council was not satisfied with the proposed business plans and investment programs.<sup>3</sup>

**IV: SALE OF HTP „BOKA“ TO THE COMPANY OF DRAGAN BRKOVIC:** The hotel-tourist company "Boka" was sold after the third attempt. The public announcement was made in January 2007, by offering 59.4 percent of the shares for sale.



*Decision on sale of hotel company "Boka"*

Unlike the first two tenders, the third prescribed requirements the bidders had to meet. Specifically, it was envisaged for the bidders to meet one of the

following two conditions: to have five hotels of 4 and 5 star category in at least three states or that the bidder had a positive turnover of at least €100 million in the last three years.<sup>4</sup>

<sup>1</sup> Report of the Tender Commission for Tourism on the results of the tender, No. 02-74, from 20 January 2006.

<sup>2</sup> Report of the Tender Commission for Tourism on the results of the tender, No. 02-74, from 20 January 2006.

<sup>3</sup> Information from the Tender Commission for Tourism on the results of the tender, No. 02-541, from 27 July 2006.

<sup>4</sup> Report of the Tender Commission for Tourism regarding the sale of 59.4516% of the share capital of the company HTP "Boka" AD Herceg Novi, No. 02-183, from 14 June 2007 and 02-501 from 23 November 2007.

Three companies submitted their offers: "Vektra Montenegro" again, offering the price of €22.2 million, and "Hunguest hotels", which offered €18.1 million, and the oil company "Nobel Oil" from Russia, with the offer of €12 million for the shares of state-owned funds. At the same time, the Podgorica-based company offered €50 million for investments, with the possibility of investing another 14 million, the Hungarian company offered an investment of €50 million, while the Russian company planned to invest €73.8 million.

The Tender Committee announced that it was not satisfied with the offers, as the investment programs were vague and insufficiently detailed. Furthermore, the business plans of "Vektra Montenegro" and "Nobel Oil" were not complete, while the business plan of the Hungarian company "Hunguest" was described as "very conservative, because it tackled all the elements that were required by the tender."<sup>5</sup> Despite the fact that it was not satisfied with the offers, the Tender Committee, decided to select "Vektra Montenegro" from Podgorica as the first-ranked bidder. The company was owned by Dragan Brkovic, a businessman who is in the public considered to be close to the top of the Montenegrin authorities.

**V: SIGNING AGREEMENT:** Purchase agreement with "Vektra Montenegro", by which majority share package of the state funds was sold, was signed in December 2007.<sup>6</sup> Tourist hotel complex "Boka" was sold for €22.2 million or almost €50 million less than the estimated equity of the tourist complex. On the eve of signing the agreement, Dragan Brkovic purchased a part of the shares or about 33 percent of the equity from Hungarian companies. Thus, by signing the agreement, he took over the control of "Boka" with about 92 percent ownership.

The buyer committed to investing €50 million within the first three years, clearly defining that the investment must begin no later than 1 November 2008. Specifically, Brkovic's company had to invest 25 million euros in 2008, 15 million a year later, and additional 10 million in 2010. As a separate option, the businessman from Podgorica expressed the possibility to invest another 14 million, so that the total amount of investments would reach the sum of €64 million.

**2. DINAMIKA INVESTICIJSKIH ULAGANJA**

Za realizaciju ukupne investicije Tenderom je predviđen period od 3 godine, s tim što bi se dinamika izvođenja radova prilagodila turističkoj sezoni, kako bi gubitak za vrijeme zatvorenosti hotela bio sveden na minimalni iznos.

**Ukupni planirani iznos investicija iznosi oko 50.000.000 €.**

Investor planira da investiciju po godinama rasporedi na sljedeći način:

**Tabela br.2 – Investicija u HTP BOKA AD Herceg Novi po godinama**

Godina	Iznos u €	Procenat učešća
2008	25.000.000	50%
2009	15.000.000	30%
2010	10.000.000	20%

Moreover, the company „Vektra Montenegro“ accepted to annually invest €200,000 in development of Herceg Novi, out of which the half would go to sports and the other half to utility infrastructure. In terms of welfare programs, the investor committed not to lay off any employee who had been employed on permanent basis in the five-year period.

*Investment program had to be conducted in three years*

**VI: HARMFULNESS OF THE SIGNED CONTRACT:** The signed purchase agreement is extremely harmful, since the Government did not protect the public interest enough through certain provisions, but instead favored the buyer. First of all, the termination clauses stipulate that the seller would return 70 percent of the purchase price (which is €15.5 million) to the buyer, if a company became bankrupt and it had implemented half of the investment program, as well as 10 percent of the total amount invested. It is unclear what criteria guided the Government to arrange such a provision.

<sup>5</sup> Decision of the Privatization Council on adoption of the Report of the Tender Committee.

<sup>6</sup> Sales Agreement of HTP "Boka" A.D. Herceg Novi from 10 December 2007.

7.2 Ukoliko Savjet za privatizaciju raskine ovaj Ugovor iz razloga koji je predviđen u članu 7.1., Prodavci će Kupcu vratiti iznos koji odgovara 70% Kupoprodajne cijene, a u slučaju da je Kupac izvršio više od 50% ukupnog investicionog programa, Prodavci će Kupcu vratiti i 10% ukupnog iznosa investirano u Društvo na ime izvršenja investicionog programa.

*Harmful provision of the purchase contract signed with Brkovic*

According to the signed agreement, the buyer should submit a bank guarantee in the amount of €2.5 million as an investment guarantee to the Government of Montenegro.<sup>7</sup> He was also obliged to submit sets of promissory notes, whose annual output value is covered with €10 million. So, the planned investments in the amount of at least €50 million were to be guaranteed with only €2.5 million, as well as with promissory notes that are substantially uncertain means of debt collection.

According to data available to MANS, "Vektra Montenegro" submitted the bank guarantee in the amount of €2.5 million, but its validity expired in June 2009. When it comes to promissory notes, the first set was delivered pursuant to the contractual terms, but their validity also expired in June 2009.

After expiration of the deadline, Brkovic's company did not submit new guarantee coverage and promissory notes for investments. Specifically, through the Law on Free Access to Information, MANS requested from the Privatization Council any promissory note that "Vektra Montenegro" submitted after 2009, but it stated that it did not possess any.<sup>8</sup>

Another very harmful provision of the sales-purchase agreement concerned the possibility for the buyer to sell the real estates of the hotel tourist company "Boka". In fact, it was clearly defined that the buyer had no right to sell, alienate or encumber hotels "Plaza", "Tamaris", "Igalo", the land and the ruins of the old hotel "Boka" and the restaurant "Zanjice". However, the buyer was entitled to encumber or sell the real estate of the rest of the hotel complex "Boka", the value of which did not exceed 30 percent of their total recorded value.

**VII: DRAGAN BRKOVIC BUYS „BOKA“ WITH A BANK LOAN:** From the Minutes of the Privatization Council from the end of 2010, it can be concluded that "Vektra Montenegro" bought majority of shares of the hotel-tourist company "Boka" with a loan from "NLB Montenegro Banka",<sup>9</sup> but it is not familiar what was the guarantee of "Vektra Montenegro" provided.

**Tačka 4**  
Savjet za privatizaciju upoznao se sa Zahtjevom NLB Montenegro banke AD – Podgorica za davanje saglasnosti na davanje odobrenja na zalog akcija koje ima Vektra Montenegro u HTP "Vektra - Boka" H. Novi.  
Vektra Montenegro je kreditno zadužena kod NLB Montenegro banke za kupovinu 56,4516% akcija HTP „Boka“ – Herceg Novi. Vektra Montenegro nije redovno izmirivala svoje obaveze prema NLB Montenegro banci tako da su se stekli uslovi za raskid kreditnih ugovora i pokretanje postupka prinudne naplate.

*From the Report of the Privatization Council from the end of 2010*

In fact, the minutes of the Privatization Council state that "Vektra Montenegro" borrowed the money from NLB Montenegro Bank for the purchase of 56.4 percent of shares, but it never

<sup>7</sup> Response of the Privatization Council to MANS, request No. 37873-37874.

<sup>8</sup> Response of the Privatization Council to MANS, request No. 37873-37874.

<sup>9</sup> Minutes from the 13th Session of the Privatization Council, held on 24 November 2010.

repaid the loan, thus creating conditions for termination of the contract and enforced collection. The Bank then asked the Privatization Council for the approval to pledge shares of "Vektra Montenegro" in the hotel-tourist company "Boka" and to mortgage immovable property of the hotel complex.

## II: "VEKTRA MONTENEGRO" DOES NOT INVEST, THE GOVERNMENT DOES NOT TERMINATE THE AGREEMENT

**VIII: "VEKTRA MONTENEGRO" VIOLATES INVESTMENT OBLIGATIONS:** By 2011, i.e. three years after the agreement signing, "Vektra Montenegro" failed to fulfill its investment obligations. According to available data, the Privatization Council established that there were conditions for termination of the agreement early 2010, because the company had failed to meet contractual obligations and to submit new guarantees and promissory notes as a coverage for the acquired assets.<sup>10</sup> Despite such a finding, the Privatization Council left the possibility of signing the annex to the agreement, which would allow Brkovic's company to extend deadlines for the fulfillment of the investment plan.

<b>Dosadašnja investiciona ulaganja</b>	
Ulaganje u Hotel Plaža Herceg Novi	500.000 eur
Izrada projektne dokumentacije za sve hotele	3.500.000 eur
Pripremni radovi za rušenje hotela , uključujući i izradu objekata za betonsku bazu i magacinski prostor	1.000.000 eur
<b>UKUPNO</b>	<b>5.000.000 eur</b>

*Privatization Council established in 2010 that "Vektra Boka" had not fulfilled its obligations*

The report of the Privatization Council shows that, out of €64 million planned for investments, the hotel-tourist company "Boka" invested only €5 million. Of this amount, half a million was invested in the hotel "Plaza", €1 million in the preparatory work for the hotel deconstruction and €3.5 million for the project documentation for all hotels. This essentially means that, up to that point, "Vektra Montenegro" invested only €1.5 million, as the project documentation cannot be considered as an investment in the real sense of the word.

When it comes to commitments to the local government of Herceg Novi, which should annually amount €200,000, the buyer did not implement them either. Namely, the responsible Secretariat of this municipality informed MANS that they did not have the information about the investment of that legal entity in development of utility infrastructure and sports.<sup>11</sup>

## IX: INSTEAD OF TERMINATION, THE GOVERNMENT SIGNS ANNEX TO THE AGREEMENT:

During consideration of option whether to issue the consent to "NLB Montenegro Banka" to pledge shares of the hotel complex "Boka" or to leave the bank the opportunity to find its own way to collect its receivables by a pledge of other property owned by Dragan Brkovic, the Privatization Council decided to seek for an opinion of the ministries of tourism and finance.<sup>12</sup> The two ministries have decided to sign the annex to the agreement with Brkovic, suggesting that the mortgage on immovable property owned Brkovic should be taken out in favor of the Government.<sup>13</sup>

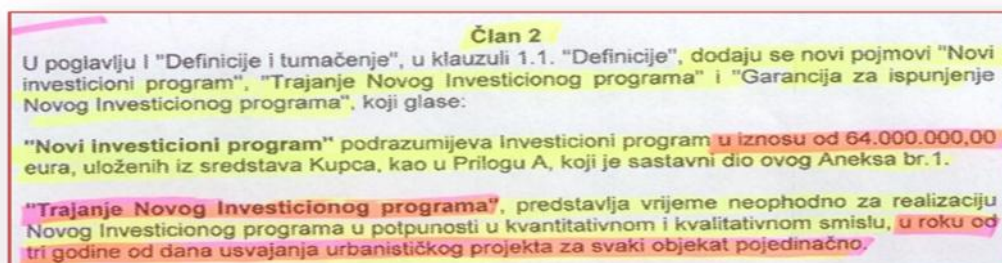
<sup>10</sup> Report on implementation of privatization plan for 2010 (<http://www.savjetzaprivatizaciju.me>).

<sup>11</sup> Response of the Secretariat for Housing and Utility Services and Environmental Protection to MANS, request no. 37850-37851.

<sup>12</sup> Minutes from the 13th Session of the Privatization Council, held on 24 November 2010.

<sup>13</sup> Letter from the Ministry of Sustainable Development and Tourism no. 01-632/9 from 11 July 2011, MANS' request no. 38318-38319.

Annex to the agreement was signed in August 2011, according to which the construction of two new facilities was planned, i.e. the hotels "Tamaris" and "Igaló", which would have five stars, as well as the reconstruction of the hotel "Plaza" in order for this tourist facility to acquire the five-star rating.<sup>14</sup> The planned investments were €64 million, but the investor now had the opportunity to begin with the construction within three years from the date of adoption of urban projects for each hotel.



*The buyer is obliged according to the annex to invest another €64 million*

Also, it is very interesting that the investor stated that, in case of significant development of tourism in Herceg Novi, he would top the agreed €64 million from his own resources with additional €118 million, which would be provided through loans.<sup>15</sup> Therefore, the government knew almost a year before that Brkovic purchased the hotel complex "Boka" with a loan, which in the meantime he did not repay, and it knew he had not fulfilled any of the contractual obligations. Nevertheless, it extended deadlines for investments, although the entire public knew at the time that Brkovic had entered into financial problems and that the liquidity of his firms was under the question.

Additional concession to the buyer, made by signing the annex, refers to the complete abolition of obligations of the investor to submit the bank guarantee. In fact, Brkovic, who obviously could no longer obtain guarantees from banks, now covered obligation of implementation of investments by encumbering his immovable property in favor of the government.

He took out the mortgages for the land and building in Zabljak<sup>16</sup> and land in Kolasin<sup>17</sup>, thus encumbering 45 thousand square meters of land and 500 square meters of facilities. It is symptomatic that the Privatization Council accepted the report on the assessment of Brkovic's property, prepared by two appraisers<sup>18</sup> hired by "Vektra Montenegro". Appraisers estimated the square meter of land in Zabljak at €80, while a square meter of facility in the same place was whole €750. At the same time, a part of land in Kolasin was estimated at €50 per square meter, while a portion of the second land at €25 per square meter. This way, the total value of the immovable property reached the amount of €2.5 million, which corresponded to the amount that should have been covered by a bank guarantee according to the original purchase agreement.

Thus, the square meter of land in Zabljak was estimated at €80 euro, although the data of real estate agencies from that period show that the actual price could not exceed €20. The most controversial, however, was the assessment that a square meter of facility was worth a whopping €750.

<sup>14</sup> Annex no. 1 of the Purchase Agreement 59,4516% of shares of company "Hotelsko turističko preduzeće Boka".

<sup>15</sup> New Investment Program of "Vektra Montenegro".

<sup>16</sup> Report on the assessment of the market value of land and office buildings in Zabljak owned by "Vektra Montenegro".

<sup>17</sup> Report on the assessment of the market value of land in Kolasin owned by "Vektra Montenegro".

<sup>18</sup> Assessment was done by Milanka Popovic i Milenko Popovic.

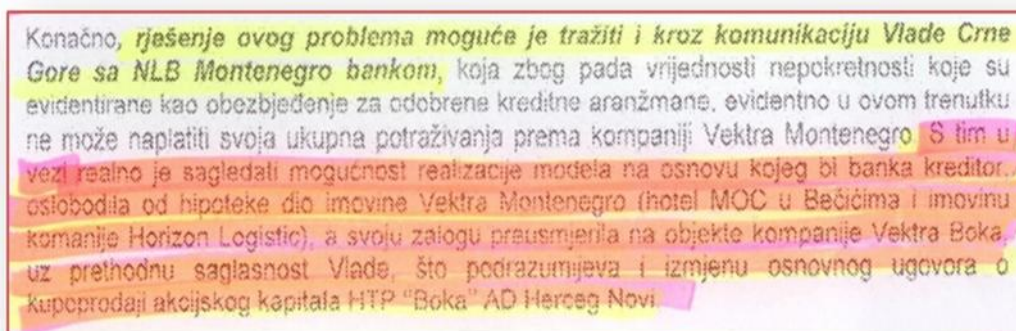
Also, it is interesting that one of Brkovic's parcels in Kolasin, which was estimated at nearly €50,000, had already been burdened by fiduciaries on behalf of the former owner, which is why he had required the Government to allow the issuance of promissory notes in the exact amount.<sup>19</sup> The Government met the requirement of the businessman.

### III: "VEKTRA MONTENEGRO" VIOLATES AGREEMENT AND ANNEX

**X: CLIENT DOES NOT RESPECT NEW DEADLINES:** By the end of 2012, the buyer had not fulfilled even the most recent commitments. Although the annex of the basic agreement provided "Vektra Montenegro" with the opportunity to begin construction of hotels within three years from the adoption of the planning documents, it never fulfilled it. The Municipality of Herceg Novi, in 2009 and 2010, adopted urban projects for the hotels "Tamaris" and "Plaza",<sup>20</sup> but by mid-2012, the investor deconstructed only the old hotel "Tamaris".<sup>21</sup>

Document of the Privatization Council on investments in the hotel complex "Boka" from the end of 2012 stated that the Government suggested that the termination of the contract with "Vektra Montenegro" would have negative consequences, because that company is under bankruptcy.<sup>22</sup> The Government invoked the article of the purchase agreement, which stipulated a commitment to return 70 percent of the purchase price, if the buyer was in bankruptcy. However, it is indisputable that such article envisaged the ability to return a part of the purchase price only if the investor has invested 50 percent of the agreed investment, which was not the case here.

Furthermore, it can be concluded from the document that the government was considering new concessions for the company of Dragan Brkovic. Specifically, it explains that "NLB Montenegro Banka" cannot collect claims against the company "Vektra Montenegro" due to a decrease of value of immovable property that has been approved as a mortgage for loans to Brkovic, and proposes the sale of the hotel "MOC" in Becici and assets of the company "Horizon logistic" from Bar, which are in Brkovic's possession. Funds secured like this would be entirely used for financing the construction of the hotel in Herceg Novi.



Konačno, rješenje ovog problema moguće je tražiti i kroz komunikaciju Vlade Crne Gore sa NLB Montenegro bankom, koja zbog pada vrijednosti nepokretnosti koje su evidentirane kao obezbjeđenje za odobrene kreditne aranžmane, evidentno u ovom trenutku ne može naplatiti svoja ukupna potraživanja prema kompaniji Vektra Montenegro. S tim u vezi realno je sagledati mogućnost realizacije modela na osnovu kojeg bi banka kreditor, oslobodila od hipoteke dio imovine Vektra Montenegro (hotel MOC u Bečićima i imovinu kompanije Horizon Logistic), a svoju zaloгу preusmjerila na objekte kompanije Vektra Boka, uz prethodnu saglasnost Vlade, što podrazumijeva i izmjenu osnovnog ugovora o kupoprodaji akcijskog kapitala HTP "Boka" AD Herceg Novi.

*Government persistently makes concessions to companies of Dragan Brkovic*

<sup>19</sup> Promissory note in the amount of €50,000.

<sup>20</sup> Link on the website of the Municipality of Herceg Novi:

<http://www.hercegnovi.me/index.php/rss/2014-03-01-16-30-55/prostorno-planska-dokumentacija>.

<sup>21</sup> Article on the website Bankar.me from 6 June 2012; link:

<http://www.bankar.me/2012/06/06/konacno-srusen-tamaris/>.

<sup>22</sup> Opinion of the Government of Montenegro on the status of the Contract without implemented investment commitments in the field of tourism, made at the end of 2012.

The document estimates that the sale of the hotel in Becici and companies in Bar can provide funds in the amount of €26 to €30 million, which would still be insufficient for the implementation of the total investment to which "Vektra Montenegro" committed by buying the complex "Boka".

Interesting thing is that the new buyer has in the meantime changed the name of the former tourist and hotel company "Boka" to "Vektra Boka" AD.

#### IV: „VEKTRA BOKA“ FACING BANKRUPTCY

**XI: COMPANY „VEKTRA BOKA“ OFFICIALLY BANKRUPT:** The Central Bank of Montenegro published a list of companies with blocked accounts in April 2015, among which "Vektra Boka" was the indebted<sup>23</sup>, with a € 9.73 million debt at that moment.<sup>24</sup>

Mid-June 2015, after the bankruptcy proceedings, which were launched in 2011, the company "Vektra Boka" officially declared bankruptcy, after the President of the Commercial Court and the bankruptcy judge Blazo Jovani adopted the decision to initiate bankruptcy proceedings. He granted the request of the "Montenegrin Commercial Bank" AD Podgorica which in late 2011 asked for the introduction of bankruptcy for the recovery of loans. Sreten Mrvaljevic was appointed as the bankruptcy trustee.<sup>25</sup>

At the time of introduction of the bankruptcy in the company "Vektra Boka", it owed employees three salaries and contributions for five years.<sup>26</sup> Towards the end of 2014, Brkovic owed an amount of €200 million to banks.<sup>27</sup>

**XII: REORGANIZATION OR BANKRUPTCY:** According to available media information, Plan of reorganization of the company "Vektra Boka", of which bankruptcy trustee Sreten Mrvaljevic was supposed to give his position, was submitted to the Commercial Court in Podgorica in October 2015.<sup>28</sup> At this point, there were 26 full-time employees in the company "Vektra Boka", who received a minimum wage. The plan of reorganization proposed by "Vektra Investments" and "Vektra Montenegro" envisaged the provision of €25.69 million for the settlement of obligations towards creditors, payment of costs of the bankruptcy and implementation of reorganization.<sup>29</sup> Most of the money, or €24.13 million, will be obtained by selling a part of the assets of the bankrupt company, while €1.09 million will be provided through amortization over the next five years, and the rest of €471,280 through business.

<sup>23</sup> Article in Daily „Dan“ “ Vektra Boka leads debtors with 9.7 million” from 2 April 2015; link: <http://www.dan.co.me/?nivo=3&rubrika=Ekonomija&datum=20150402&clanak=484316&naslov=Vektra%20Boka%20predvodi%20du%FEenike%20sa%209,7%20miliona.>

<sup>24</sup> According to the Central Depository Agency, the ownership structure of the company "Vektra Boka" is divided between the majority of the company "Vektra Montenegro" with a share of 59.4 percent, and the company "Vektra Investments" Ltd. with a share of 33.3 percent. The company "Vektra investments", owned by the company "Vektra Montenegro", is in bankruptcy since 10 February 2014. Essentially, Brkovic owns almost 93 percent of the company "Vektra Boka".

<sup>25</sup> Official Gazette of Montenegro no. 31/05 from 18 June 2015; link: [file:///C:/Users/Ines/Downloads/Slu%C5%BEbeni\\_list\\_Crne\\_Gore\\_broj\\_31-2015.pdf](file:///C:/Users/Ines/Downloads/Slu%C5%BEbeni_list_Crne_Gore_broj_31-2015.pdf)

<sup>26</sup> Article in Daily „Vijesti“ „Management of Vektra Boka owes employees three salaries and allowances for five years” from 15 June 2015; link: <http://www.vijesti.me/vijesti/radnicima-vektra-boke-uprava-duguje-tri-zarade-i-doprinos-za-pet-godina-838355.>

<sup>27</sup> Article in Daily „Vijesti“, “Brkovic's Dispute 30 millions debt to CKB” from 20 September 2014, <http://www.vijesti.me/vijesti/brkovic-osporavaju-ckb-u-30-miliona-796717.>

<sup>28</sup> Article of Daily „Vijesti“, “Plan or Reorganisation of the HTP Vektra Boka Submitted to the Court” from 15 October 2015, <http://www.vijesti.me/vijesti/plan-reorganizacije-htp-vektra-boka-predat-sudu-855957.>

<sup>29</sup> Article of Daily „Vijesti“, „Reorganisation plan for Vektra Boka Adopted“, from 25 December 2015, <http://www.vijesti.me/vijesti/usvojen-plan-reorganizacije-za-vektra-boku-867207.>



Due to several years of negative experience with the investor, Municipality of Herceg Novi planned to request from the Government of Montenegro to protect its interests, by declaring bankruptcy of the company "Vektra Boka", because they did not agree with the plan of reorganization of the company.<sup>30</sup>

MANS Investigation Center has no official data on introduction of "Vektra Boka" in bankruptcy and reorganization plan of the company.

**XIII: COMPANY "VEKTRA BOKA" IN HUGE LOSSES:** According to the financial indicators, "Vektra Boka" had accumulated losses of up to €34,368,351 at the end of 2014<sup>31</sup>, which is a clear indication of enormously bad business results of this company.

Year	Loss
2014	€34,368,351

Table 1: Huge Loss of Company „Vektra Boka“

**XIV: ALL REAL ESTATES OF "VEKTRA BOKE" BURDENED WITH LOANS:** With the review of parcels owned by the hotel complex "Vektra Boka" on the website of the Real Estate Administration<sup>32</sup>, it can be seen that in March 2016 all the real estates of this company were registered under the burden in the cadastral municipalities of Herceg Novi - Kameno, Mrkovi, Radovanici, Rose, Sutorina, Topla, Trebesin.<sup>33</sup>

First of all, there is a tax claim in the amount of €1,350,00 in favor of Montenegro, as well as the mortgage in the amount of €3,250,000 in favor of the "CKB Banka", on the basis of the Contract on the mortgage in 2009, and €98,000 thousand euros mortgage in favor of the mentioned bank on the basis of the loan agreement from 2005. In addition, post-registration of tax claims was registered in the amount of €427,594 euro in favor of the Municipality of Herceg Novi. A large number of post-registrations of prohibition of alienation of property and loads were registered due to procedures conducted before the Montenegrin courts, as well as due to restitution process. In 2015, post-registration of bankruptcy procedure was registered on the basis of the decision of the Commercial Court in Podgorica.

It must be noted that almost complete land that Dragan Brkovic acquired through questionable privatization of various companies is burdened with mortgages. Even the land in Farmaci in Podgorica, which he possesses as an individual, is burdened with mortgages in order to secure millions loaned from "NLB Montenegro Banka" and "CKB banka".

By April 2016, it is not known what the damage of the privatization of once renowned hotel-tourist company "Vektra Boka" is, as well as lost profit, not only in relation to the employees and the overall tourism industry of Herceg Novi, but also the state, having in mind that hotels have not been built or have begun to work.

Podgorica, April 2016

<sup>30</sup> Article of Daily „Vijesti“, “Declare Bankruptcy in Company Vektra Boka” from 27 October 2015, <http://www.vijesti.me/vijesti/proglasiti-bankrot-u-kompaniji-vektra-boka-857633>

<sup>31</sup> Annual Report on the Management of the Company "Vektra Boka" for 2014, which was published on the website of the Securities Commission of Montenegro; link: <http://www.scmn.me/fajlovi/HTBO201412.pdf>.

<sup>32</sup> Search carried out on 14 March 2016 on the website: [www.nekretnine.co.me](http://www.nekretnine.co.me).

<sup>33</sup> On the website of Real Estate Administration assets of the company "Vektra Boka" AD Herceg Novi are registered in the list of immovable property no. 68 KO Herceg Novi, 70 KO Herceg Novi, 87 KO Herceg Novi, 329 KO Herceg Novi, 331 KO Herceg Novi, 336 KO Herceg Novi, 338 KO Herceg Novi, 425 KO Herceg Novi, 468 KO Herceg Novi, 484 KO Herceg Novi, 499 KO Topla, 502 KO Topla, 505 KO Topla, 2594 KO Topla, 2352 KO Topla, 3138 KO Topla, 45 KO Kameno, 71 KO Mrkovi, 50 KO Radovanici, 24 KO Rose, 178 KO Sutorina, 560 KO Trebesin, all in the Municipality of Herceg Novi.

Author: MANS Investigation Center