

Wake Island

Development Concept

Executive Summary

Concept

The development intent is to gain rights for development of a geographically unique unincorporated US island for the creation of an exclusive luxury gaming retreat, by offering financial relief and operational readiness to the US armed forces. We propose to develop Wake Island by outsourcing enhanced support for the US Government on Wake Island as a secure gateway to the Asia Pacific region in both steady state and in crisis. Accomplish entitlement of the property with successful approval of an unsolicited proposal for an enhanced use lease (EUL) from the US Air Force to control, operate and develop this unincorporated US territory. The EUL would allow a private entity to support US operations and use of Wake, preserve and displaying historical sites, provide secure sea and airport, develop enhanced facilities for the US Government including billeting, messing, and recreational facilities by leveraging infrastructure improvements from development of a world-class Pacific-gateway resort.



GLOBAL ASSET SOLUTION

50 Robinson Road #08-00, VTB Building, 068882, Singapore

PO Box 8213 DPRSA 80114A, Denpasar, Bali, Indonesia

Email: info@globalassetsolution.com

www.globalassetsolution.com



Background

Wake Island is a three square mile (1820 acre) coral atoll of three islands. Wake islet is V-shaped; Wilkes and Peale islets are extensions of that V, separated by narrow channels. They surround a beautiful, shallow, two square mile lagoon (crater of volcano that spawned the atoll), and all are surrounded by a coral reef. Wake Island (19°18'N 166°38'E) is located 2/3 of the way between Honolulu (2000 NM) and Guam (1300 NM) a few hundred miles west of the International Date Line (UTC+12) in a northern tropical climate and warm (80 F) Pacific Ocean waters. Spanish (1568), British (1796) and American (1828, 1840) explorers documented visits to Wake Island. In 1898 Wake Island was ceded to the United States following the Spanish American War and formally annexed by the US on January 17, 1899. Wake Island is an unorganized, unincorporated US territory administered by the Department of Interior with no permanent or indigenous residents, just members of the US military and civilian contractors who operate the facility. In 1935, the US Navy granted permission for Pan American Airways to build a 48-room luxury hotel, seaplane port, hangars, and fishing resort for use as a rest and refueling stop by Pan Am Clipper service to and from Asia. In January 1941 the US Navy hired contractors to construct a military base at Wake with 450-person US Marine military garrison stationed in August of 1941. The Japanese attacked Wake Island on December 8, 1941, the same day as the Pearl Harbor attack (Wake being on the opposite side of the International Date Line), laying siege to Wake for several weeks before the American garrison surrendered to Japanese control. The US bombed the Japanese on Wake Island during their occupation eventually leading to Japanese surrender on September, 4, 1945. Since WWII, Wake Island has been used by the US military and the CAA (predecessor of the FAA) for a divert location and refueling stop of trans-Pacific aviation. In the 1960's and 70's, there was a large presence of approximately 2000 personnel living and working on Wake and 8,000 Vietnamese refugees temporarily residing during processing. Since 1972 Wake Island has been under the jurisdiction, management, and real property accountability of the US Air Force. Wake Island has a lighted runway (9856'x150'), parking ramp, and substantial fuel storage and distribution system in excellent condition. In April of 2001, the Air Force directed that Wake Island be placed in Very Limited Operations (VLO) status permitting use only for direct island support, emergency divers, and contingencies. However, use of the island by the Air Force and other Services and agencies grew to over 600 sorties per year because of Wake Island's location, international-length, fighter-capable runway, and fuel availability yielding significant cost avoidance for users.



GLOBAL ASSET SOLUTION

50 Robinson Road #08-00, VTB Building, 068882, Singapore

PO Box 8213 DPRSA 80114A, Denpasar, Bali, Indonesia

Email: info@globalassetsolution.com

www.globalassetsolution.com





Strategic Importance

The US government acknowledged the historic significance of Wake Island by designating it a National Historic Landmark and adding Wake to the National Register of Historic Places in 1985. The US military recognizes Wake Island's growing strategic importance as a Pacific gateway in this century of geo-political, economic, and military shift to the Asia-Pacific region. Wake's central Pacific location proximate to key areas of Asia coupled with the runway length/capability, and access to fuel make Wake Island the only desirable stopover, refueling, divert and alternate location between Hawaii and Guam rendering users significant savings. The US military has approved plans to move 20,000 military personnel and family members from Okinawa, Japan to Guam with \$14.5B of construction including \$7B funded by the Japanese government. With Wake Island being on a nearly direct course from Hawaii to Guam, its use will undoubtedly grow significantly due to deployments and family moves/visits to from Guam, as well as a secure strategic hub close to but outside of the Guam congestion and vulnerability.

Opportunity

There is a window of opportunity to outsource base operations support for Wake Island through a EUL. In Fiscal Year 2006 (FY06) the Air Force, budgeted \$16.5M to pay for a contractor to operate all of Wake Island (including) airport, seaport, base operating support, engineering, billeting and dining facilities) with a total cost of \$19M including overages. The Air Force was only able to secure reimbursements from the other Services users of \$1.7M. Additionally, the Air Force invested approximately \$85M in runway/ramp resurfacing and lighting in FY02-06. The Defense Energy Support Center (DESC) has funded upgrades to the fuel storage and distribution system and has significant capacity to meet fuel requirements. There is also over \$23M of Defense Environmental Reparation Account funds already allocated for known environmental remediation. The base operating support service contract has seven year options with the final option year being FY09. In FY06 the Air Force had a full-time operational staff population of 200 consisting of 1 officer, 4 enlisted, 2 civilians, and 193 contractors, the vast majority

GLOBAL ASSET SOLUTION

50 Robinson Road #08-00, VTB Building, 068882, Singapore
PO Box 8213 DPRSA 80114A, Denpasar, Bali, Indonesia
Email: info@globalassetsolution.com
www.globalassetsolution.com



being foreign nationals. The Air Force is currently looking to restructure how they use, fund, and contract for operations on Wake Island. Three factors are altering the dynamics of the Wake Island base operating support concept. First, in August 2006, category 5 Typhoon Ioke struck Wake Island damaging 70% of the infrastructure but left the runway, ramp, fuel storage and distribution system in excellent condition. This changed the requirements of the base operating support contract with new focus on reconstituting Wake Island. The Air Force has funded over \$14M to repair infrastructure damaged by Ioke. The second factor is budgetary pressure on the Air Force to reduce operations, repair, and upkeep costs for Wake Island particularly when other Services/Agencies are the major users. Thirdly, the US military recognizes the growing strategic significance of Wake due to the importance of Asia, realignment of personnel to Guam, and deployment of tactical and short range aircraft through the central Pacific, and requirement for aircraft to have suitable alternate and refuel stops for ETOPS aircraft. In essence, there is a mismatch between the Air Force's growing requirement and the decreasing budget.

Why now?

This creates the opportunity to gain approval of a EUL to operate and develop Wake Island to support enhanced use by the US military. The Air Force should present their proposed FY10-15 program to the Defense Department by fall 2008 in order to have it included in the President's FY10 Budget submission. The Air Force will need to have the new Wake Island support concept programmed for in their FY10 request.

Why us?

We have unique insights and experience operating military installations, logistics, enhanced use leasing, strategic planning and base operating support, as well as insights to military planning and use of strategically significant location and importance to the Pacific theater.

Leveraging the Commercial Opportunity

The commercial market for developing Wake Island can also be created to build on the increased military significance with the need for a central Pacific gateway to the Asia for air and marine travelers looking for resort style activities including secure sea/airports, world-class fishing, golfing, gaming, and resort and recreation activities. Additionally, the Asian appetite for gaming and tourism to US resort locations proximate to Asia is increasing. By gaining entitlement of Wake Island through a long-term EUL the development entity can leverage the infrastructure enhancement generated by resort development to provide significantly enhanced support to the US government while creating a world-class resort location and commercial/military gateway to the Pacific only dreamed of by Pan Am and the military before WWII, but focused on today's markets including the growing Asian resort trends.

Development Concept Model

We built a development model leveraging nearly a \$3B investment in Wake Island to provide exquisite support to the military in steady-state or in crisis and for the North American and Asian resort markets. Our model calls for rebuilding the island infrastructure, supporting airport operations of 600-6000 aircraft arrivals/year, providing 600-room military billeting, 800-room military recreation facilities, 1500-room, developing a 500-suite, 200-villa resort with water parks, gaming, shopping, and dining, 200

GLOBAL ASSET SOLUTION

50 Robinson Road #08-00, VTB Building, 068882, Singapore

PO Box 8213 DPRSA 80114A, Denpasar, Bali, Indonesia

Email: info@globalassetsolution.com

www.globalassetsolution.com



resort homes with private club and spa, yacht and cruise ship port, sport fishing, golfing, gaming, and museum/historical site display. The magnitude of this proposed project and estimated financial projections are:

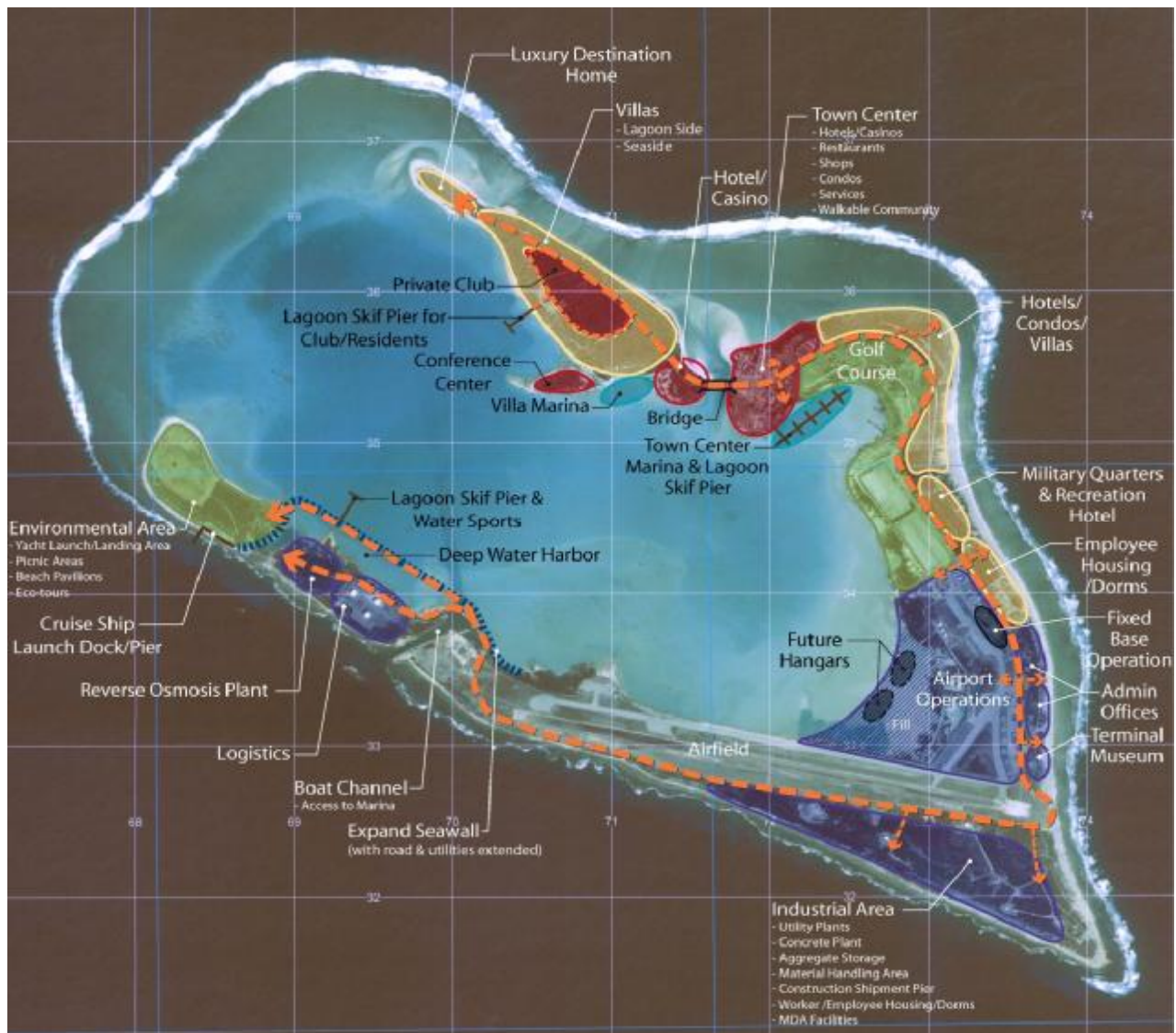
} Initial Commitment	\$6M for pre-development and approve of EUL
} Total Capital Expenditures	\$2.89B in 10 years
} Return on Capital	17.8% (As on 2017)
} Equity	\$440M (20%)
} Return on Equity	68.2% (As on 2017)
} Debt	\$1.75B (80%)
} IRR	19%(Through 2025 with debt retirement in 2018)
} IRR (After 30%Tax)	13% (Through 2025 with debt retirement in 2018)

Enhanced Use Lease

The centerpiece of this development proposal is acquiring development and operations rights to this Wake Island via a EUL which will fund infrastructure improvements and operations for unparalleled support to the US military and for the growing need and to have facilities in place to support contingency operations. Needed requirements of the EUL include full access, use and control of Wake Island with a 99-year lease, air and sea operations, remediation of environmental concerns by the US government, fishing rights, permissible gaming, and resort development, through a 99-year lease. In return, the US Air Force will gain support for 600-6000 flights per year, lodging/dinning for up to 600 personnel per night, historical preservation and display of historical sites, in-kind services and infrastructure improvements, and access to resort facilities in contingency. We estimate the predevelopment costs leading to acceptance of an unsolicited EUL proposal is between \$1-6M and take 6-12 months. Securing the lease on favorable terms and being able to support military operations is the critical piece of this project. To be successful, this requires thorough pre-development actions combined with extensive understanding of and experience with military requirements, programming, leasing, and base operations.

Conclusion

A unique opportunity exists to acquire lease rights for Wake Island in exchange for providing enhanced use by the US government. Having development rights for Wake would permit building a profitable resort which generates funds for infrastructure improvements and military operations. Wake Island development creates three market segments: First and foremost, the increasing military transit market fortified by the likely military recreation market; Secondly, the high-end resort market on US territory for traveler's on route to Asia; The third market is Asian tourist seeking gaming, golf, fishing, and water sports. The development intent is to gain rights for development of a geographically unique unincorporated US island for the creation of an exclusive luxury gaming retreat, by offering financial relief and operational readiness to the US armed forces.



Notional Land Use Concept Plan

GLOBAL ASSET SOLUTION

50 Robinson Road #08-00, VTB Building, 068882, Singapore
 PO Box 8213 DPRSA 80114A, Denpasar, Bali, Indonesia
 Email: info@globalassetsolution.com
www.globalassetsolution.com

