

West Baden Springs Hotel, West Baden, Ind.  
Carlsbad of America.



## Springs Valley Hotel, LTD.

### Projected Investor Benefits Per \$50,000 Investment

#### At A 50% Tax Rate

##### SPRINGS VALLEY HOTEL

SUMMARY OF PROJECTED INVESTMENT, TAXABLE INCOME (LOSS), CASH DISTRIBUTIONS AND TAX SAVINGS FOR EACH \$50,000 LIMITED PARTNERSHIP UNIT ASSUMING AN EFFECTIVE 50% FEDERAL INCOME TAX RATE FOR THE PERIOD OCTOBER 1, 1986 THROUGH DECEMBER 31, 1986 AND THE YEARS ENDING DECEMBER 31, 1987 THROUGH 1995

YEAR	CAPITAL CONTRIBUTION	INTEREST PAID	TAXABLE INCOME (LOSS)				TOTAL ITC	TAX (SAVING) OR PAYMENTS (1)	CASH DISTRIBUTIONS	TOTAL BENEFIT	NET TOTAL RETURN (INVEST)
			TOTAL INVEST.	PARTNER	INTEREST	LTD.					
1986	\$25,000	\$469	\$25,469	(\$10)	\$469	(\$479)	\$2,509	(\$2,748)	\$0	\$ 2,748	(\$22,720)
1987	25,000	375	25,375	(120)	375	(495)	5,704	(5,951)	1,338	7,289	(18,086)
1988	0	0	0	1,974	0	1,974	44	943	5,814	4,872	4,872
1989	0	0	0	2,293	0	2,293	49	1,098	4,777	3,679	3,679
1990	0	0	0	3,206	0	3,206	54	1,549	5,877	4,328	4,328
1991	0	0	0	4,303	0	4,303	59	2,092	7,044	4,952	4,952
1992	0	0	0	7,133	0	7,133	65	3,501	8,347	4,846	4,846
1993	0	0	0	8,504	0	8,504	72	4,180	9,705	5,525	5,525
1994	0	0	0	10,165	0	10,165	78	5,005	11,360	6,356	6,356
1995	0	0	0	11,542	0	11,542	(143)	5,914	12,747	6,833	6,833
	<u>\$50,000</u>	<u>\$844</u>	<u>\$50,844</u>	<u>\$48,989</u>	<u>\$844</u>	<u>\$48,145</u>	<u>\$8,490</u>	<u>\$15,582</u>	<u>\$67,009</u>	<u>\$51,427</u>	<u>\$583</u>

Projected after tax proceeds from sale of property at 10% cap rate  
Cumulative after tax benefits from sale and operations

108,002      108,002  
\$159,429      \$108,585

Internal rate of return (2) - approximate

18%

(1) Includes the investment tax credit (ITC) per unit; 1986 - \$2,509; 1987 - \$5,704

(2) The Internal Rate of Return as used herein is that after-tax rate which will cause the present value of each investment made and each benefit received, when netted against each other, to equal zero.

The accompanying summary of significant notes and assumptions is an integral part of this projected statement.

Totals may not add due to rounding.

*MacDonald Hotels Management Corporation*





### PARTNERSHIP

- Cash Distributions in 1987
- Approx. 18% internal rate of return projected
- Break even at 38% occupancy
- Midwest's oldest health and recreation resort
- Proven management
- One of two hotels nominated for Honor Roll of National Historic Landmarks
- Listed on National Register of Historic Places
- Excellent location
- Year-round resort and recreational facilities

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The Springs Valley Hotel, Ltd. partnership has been organized as an Indiana Limited Partnership to restore, remodel and rehabilitate the historic structure known as The West Baden Springs Hotel. It will be operated as a multi-purpose resort hotel. The property is located in French Lick Springs/ West Baden Springs, Indiana, and is the site of one of the Midwest's oldest health and recreational resorts.

The Indiana Limited Partnership has 400 Limited Partnership Units available at \$50,000 per unit. Total capitalization for the project is \$20 million.

### GENERAL PARTNER AND ADMINISTRATION

MacDonald Hotels Management Corporation, an Indiana Corporation, will be the General Partner. Gene MacDonald, President of MacDonald Hotels, has extensive experience in acquiring, developing and managing hotels over the past 40 years. He is a professional Hotelman with a number of degrees in Hotel Management from Michigan State and Cornell Hotel Schools.



### THE PROPERTY

The West Baden Springs Hotel was originally constructed in 1902. It was then known as The West Baden Hotel. After only 280 days of construction, the hotel opened and immediately became known as one of the most luxurious resorts in the Midwest.

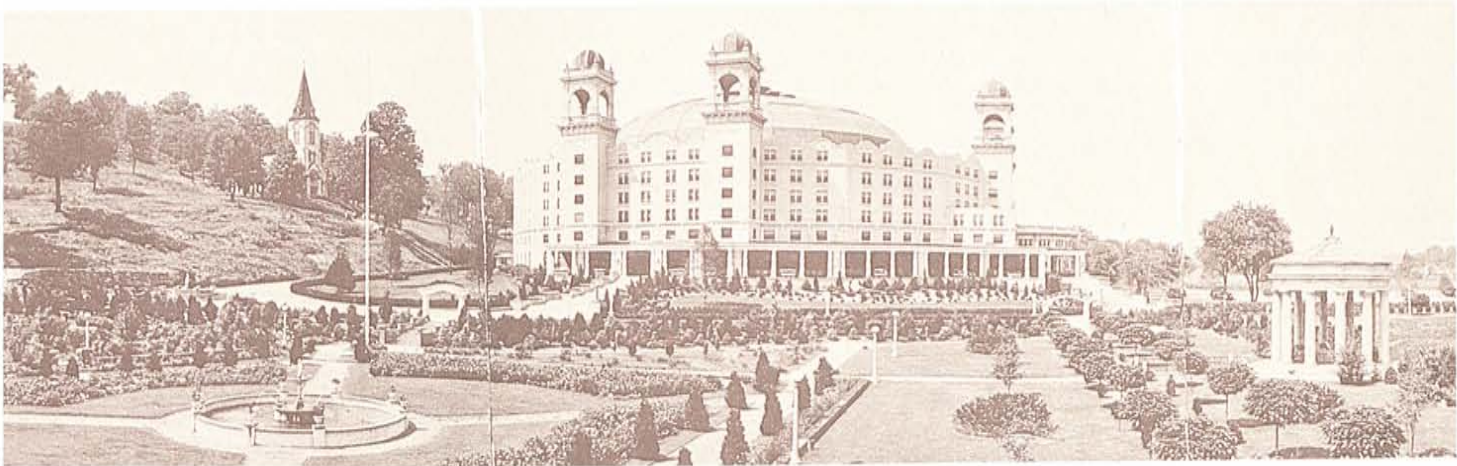
The resort is situated on approximately 250 acres of rolling and gently sloped land accented by numerous foot paths and extensive flower beds.

The gross floor area of all buildings comprising the hotel is 270,000 square feet. The building complex includes the main building characterized by its large dome. The dome is 200 feet in diameter with an inner circumference of 600 feet. The center of the dome is 130 feet above the floor.

The building is six stories high with a 16-sided exterior enclosing two rings of rooms and suites on both sides of a circular corridor. The dome rises to its full height atop 24 exposed steel trusses which span the entire diameter of the court. The trusses are supported on Ionic-style columns whose bases are 16 feet high and rise to the spring-line of the arched trusses 60 feet above the floor. The skylight is made up of 18,000 square feet of glass.

The hotel consists of 425 guest rooms and 10 large meeting rooms. The interior guest rooms





feature balconies overlooking the approximately 60,000 square foot atrium.

The West Baden Springs Hotel utilized the most advanced safety measures available at the time of its construction, thus, the hotel is fireproof. The structure is constructed of cement and steel and wood was used only in construction of door and window casings and the ballroom.

### HISTORY

In 1901, the old West Baden Inn, owned by Lee W. Sinclair, a banker from Salem, Indiana, was destroyed by fire. At the urging of his daughter, Mr. Sinclair vowed to have a new hotel standing on the site of the old one within one year.

Mr. Sinclair envisioned the new structure as being of a circular design and supporting the world's largest dome. He further saw the resort as catering to the upper classes of society and desired it be known as the "Carlsbad of America."

To carry out his plans, Mr. Sinclair commissioned architect Harrison Albright of Charleston, West Virginia to design the structure. Mr. Albright was an unknown designer at the time, but he volunteered to construct the hotel for a cost of \$414,000. He also accepted a provision from Mr. Sinclair that a penalty of \$100 per day would be assessed for each day over 200 required to complete the structure.

The contract was signed on

October 1, 1901, and construction began immediately. Two hundred and eighty (280) days later, construction on the "Eighth Wonder of the World" was completed. The official opening day was April 16, 1903, with the ceremonies presided over by Indiana Governor Whitfield T. Durvin. Indiana Senator Charles W. Fairbanks was also in attendance at the festivities.

The main attraction to guests was the nearby mineral springs, whose water was marketed worldwide and called "America's cure." Three springs were located on the grounds of the resort. Later, gambling was added to the resort and its appeal was further enhanced. The hotel prospered until 1932 when it was forced to close its doors—a Great Depression victim.

Shortly afterward, the hotel was acquired by the Society of Jesus, which operated a Jesuit Seminary on the site until 1967. In 1967, the grounds were transformed into Northwood Institute, a private college. The Northwood Institute was best known for its liberal arts programs, especially its hotel and culinary arts courses.

In 1974, the West Baden Springs Hotel was placed on the National Register of Historic Places by the U.S. Department of Interior.

The West Baden Springs Hotel's story gained its latest chapter in 1984, when it was purchased by Gene MacDonald, a professional Hotelman, for restoration and renovation to its former state of splendor.

### WEST BADEN SPRINGS HOTEL

Once completed, the West Baden Springs Hotel will stand as one of the finest hotels in the United States, and promises to be one of the most luxurious hotels in the Midwest. It will not matter if guests are staying there for business, pleasure or are just passing through. The splendor of the West Baden Springs Hotel, the beauty of the surrounding area and the multitude of recreational activities will lure guests back to the property time and again.

All facilities on the property will be the finest, assuring guests of the splendor of yesterday coupled with the expected amenities of today. The West Baden Springs Hotel will boast facilities for or





access to nearly 30 sports, including golf, tennis, horseback riding and skiing.

The property is located only seven miles from the 600-acre Paoli Peaks ski area. Plans for a ski resort to be built adjacent to the property are currently underway and the area is scheduled for completion in the near future.

In addition, guests will enjoy recreational activities at nearby Lake Patoka. The lake is the largest man-made body of water in the Midwest with over 225 miles of shoreline visited by 1.5 million people in 1984.

The hotel is easily served by all forms of transportation to the French Lick Springs area. Recently, an airport with a 6,000 foot runway was built near French Lick, and will easily accommodate most types of aircraft. In addition, a nostalgic trolley car of the past operates from West Baden to the front steps of the West Baden Springs Hotel to serve the property's guests.

#### THE COMPETITION

The main competition of the West Baden Springs Hotel is the French

Lick Springs Golf and Tennis Resort. This 500-room, turn of the century resort, hotel complex is a major meeting and convention center in the Midwest.

The restoration of the West Baden Springs Hotel gives the French Lick Springs/West Baden Springs area an enhanced claim for convention/tourism business with accommodations and facilities for 2000 people.

#### TAX CONSIDERATIONS

Feasibility studies by Pannell Kerr Forster, CPA's to the Hospitality Industry world wide, have shown the break-even point of the West Baden Springs Hotel will be reached at 38% occupancy. Further investigation shows the West Baden Springs Hotel has a potential population base of 40 million people to draw upon.

On-site management for the property is currently in place and boasts vast experience in the hospitality industry.

Gene MacDonald, the West Baden Springs Hotel's operator has over 40 years of experience in the hotel industry, including all facets of operation.

The investment in the Partnership is an economic investment which is anticipated to generate cash distributions commencing in 1987.

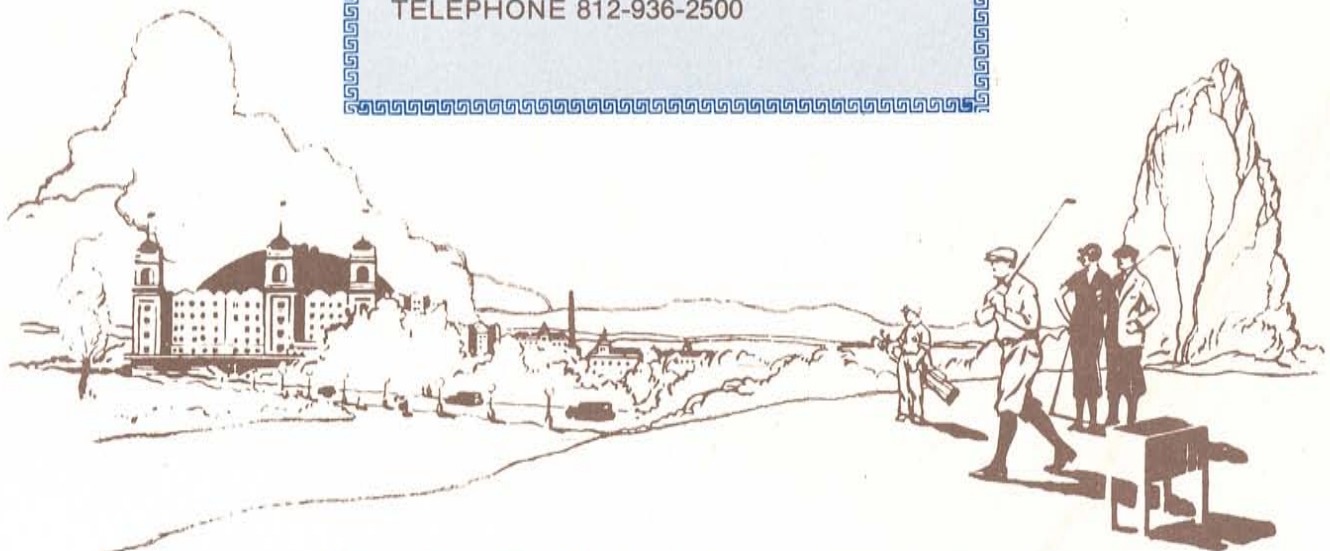
The investment will result in a write-off of approximately \$17,400 in the first two years. Over a 10-year period, it is anticipated that cash flow from operations of \$67,009 and upon sale in 10 years of \$108,002 for a total tax internal rate of return of approximately 18%. The Limited Partners will receive 90% of the profits and losses from operations and, upon sale, 75% of the gain after return of their capital contributions.

#### SUITABILITY STANDARDS

The General Partner has established certain suitability standards which an individual investor must meet in order for a subscription for units to be acceptable. These minimum suitability standards include: (a) an individual net worth of not less than \$250,000 (exclusive of home, auto, furnishings); (b) an annual gross income during the prior two and current years which is subject, at least in part, to Federal income taxes at a rate of 42% or more.

For further information, contact:  
WEST BADEN SPRINGS HOTEL  
MARKETING DEPARTMENT

TELEPHONE 812-936-2500



Broadway & West Baden Blvd. West Baden Springs, Indiana 47469