



Business Plan For:

The Engine Room

John P. & Mellow Dawn Lomba

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Summary Statement

The Engine Room will begin operations in October 1999. The Engine Room has a well-defined purpose and philosophy to provide unique live arts and entertainment with an unparalleled level of service, in a developing community. The Engine Room, conceived in the winter of 1997 by Johnny & Mellow Lomba, will be a locally owned and operated business.

This business venture is considered to be viable based on the following conditions:

1. A live arts and entertainment venue of our concept currently does not exist within the City of Portland.
2. Our industry experience. We have a combined total of 10 plus years of experience in the arts and entertainment industry and over 20 years combined, mostly management, in customer service based industries.
3. Our goals for The Engine Room's short and long term operation fit very well within the City of Portland's plan for the Portland Arts District.

As taken from *A Plan For Portland's Art District*:

"Investment in the development of the Arts District should strive to improve the economic performance of arts institutions in the district and throughout the city by...encouraging arts-related businesses to establish in, or relocate to the Arts District." (Prepared for the Arts and Cultural Steering Committee, Sprouse & Goldring, 1995)

Company Analysis

Company Name: The Engine Room
Type of Business: Live Arts Venue/Retail/Service
Proposed Location: 625 Congress Street Portland, ME 04101
Owners: horsepower, Inc., John P. & Mellow Dawn Lomba

Business Concept

Presently, there are no Live Arts venues of our concept in the City of Portland. The name "The Engine Room ", comes from our perception of an ideal venue. Like an engine, a live arts and entertainment venue needs many elements to function successfully and attain longevity.

At The Engine Room, the main focus will be the consistent level of quality service we can provide our customers since ultimately our customers will decide whether The Engine Room will prosper. The Arts District (in which the proposed location of 625 Congress Street exists) was specifically chosen as the location for The Engine Room for several reasons:

1. The live arts and entertainment events will be marketed to a more destination audience whose main focus is on service, quality performance, safety, accessibility and atmosphere. These are all qualities The Engine Room and the Arts District can provide.
2. The location exists in the heart of the Arts District and is en route to a natural corridor between the Old Port and the Arts District, therefore insuring a steady flow of foot traffic.

3. The regular events that take place during the warmer weather in Congress Square only offer greater visibility and opportunity.
4. The City of Portland has shown support for such endeavors to locate in the Arts District.

As taken from *A Plan For Portland's Arts District*:

"Commercial entertainment, such as music and dance clubs and bars featuring live music, exist as an important nexus of the non-profit arts and business worlds. The recommended policy seeks to assure a place and a legitimacy for these participants in the Arts District, both as business enterprises with significant appeal in the community and as employers of artists" (Prepared for the Arts and Cultural Steering Committee, Sprouse & Goldring, 1995).

Markets

Major Market: City of Portland and Cumberland County

Population: approx. 65,000 City of Portland, 254,000 Cumberland County

Primary Market: Adults, ages 25 to 40, with an interest in the arts.

Secondary Markets: Adults 35 and up and Adults age 21 and up.
Young Adults age 15 to 20

Other Markets: Foot traffic, tourists, and private functions

See Market Analysis (P.3) for additional information.

Bases of Competition

Simply put, The Engine Room has no clear competitors within our market. Though there are many venues that offer live music and entertainment in some form, only three fall loosely within our desired capacity: The Big Easy (cap.150), The Bitter End (cap. 250), and Stone Coast Brewery (cap.400). All three offer live music, but limit themselves to a specific genre, and rarely venture beyond. Therefore, they must accept the limitations associated with such programming. For example a limited customer base, less variety, fewer available marketing resources, and less growth potential.

Technology Position

The Engine Room will keep abreast of new trends and ideas in the live arts industry by using technology to our favor. We will create and maintain our own website and e-mail address and use the many benefits of these, such as efficiency and cost effectiveness, to add another facet of service to our customers. In addition, we will instigate and encourage links with other arts venues, galleries, and locally related pages.

Key Success Factors

There are numerous factors that will contribute to The Engine Room's success. First and foremost, experience. Our experience as service providers and consumers in this industry allow us the insight necessary to be successful. In turn we have learned that an experienced owner/operator is the most vital asset. Secondly, we have an established reputation among our professional peers and the customers we have served. In keeping with our philosophy, we recognize the value of a small business' reputation to its owners and patrons.

Market Analysis

Analyzing the live arts and entertainment market in Portland and Greater Portland is no easy task. Documented information about the entertainment industry is focused on attendance at large venues (State Theatre, Civic Center); major concerts, opera/theatre performances, and first-run movies, and is only specific to Cumberland County. With this in mind we have included statistics for Cumberland County and Portland (when available) for population, age distribution, and income.

Cumberland County Demographics 1998

(Source: CACI County Demographics Sourcebook, 1998)

POPULATION:	253,868										
AGE DISTRIBUTION:	<table><thead><tr><th>AGE</th><th>%</th></tr></thead><tbody><tr><td>15-19</td><td>6.5</td></tr><tr><td>20-24</td><td>6.5</td></tr><tr><td>25-44</td><td>33.4</td></tr><tr><td>45-64</td><td>21.2</td></tr></tbody></table>	AGE	%	15-19	6.5	20-24	6.5	25-44	33.4	45-64	21.2
AGE	%										
15-19	6.5										
20-24	6.5										
25-44	33.4										
45-64	21.2										
MEDIAN AGE:	33.7										
HOUSEHOLDS:	102,310										
MEDIAN INCOME:	\$43,640										

Market Scope

The Engine Room will occupy a local market base covering the City of Portland and its surrounding communities. We will cater to those individuals with interest in live arts and entertainment events such as live music, poetry/spoken-word, film and theatre in a comfortable adult environment. Although the live arts and entertainment market consists of all these interests and more, The Engine Room will focus its efforts mainly on live music and poetry/spoken-word initially. As we establish ourselves with a regular customer base, we will begin to integrate additional programs.

It is our interest to offer Portland a venue with an incomparable atmosphere. A place that welcomes people of all walks of life and all different ages. A place that a single woman can attend by herself without being bothered, a couple can sit privately and have a conversation, people from different backgrounds can find common interests, and all visitors can be treated with equal service. As patrons in this industry, we know how important it is to feel comfortable and be treated well. Products offer little interest if they have no support from the overall energy of the room. The people we will cater to and serve appreciate atmosphere and service.

Major Customers and Concentration

Typical Customer

Typical patrons of The Engine Room will mainly be adults between the ages of 25 and 40, with a strong interest in live music and a comfortable social environment. They will run the gamut, from local musicians and regulars to artists, industry personnel, and business owners. Typical customers will spend an average of 2 to 3 hours in The Engine Room. These customers will constitute an average of 80% of sales.

The Engine Room will appeal to a myriad of different customers. These include, but are not limited to, the following:

Adults age 21 and up: interested in eclectic music; student artists.

Adults 40 and up: interested in an adult environment with a good selection of live entertainment.

All ages (15 to 20): interested in a venue offering live arts & entertainment that also caters to an all ages crowd on a consistent basis.

Specialty groups: general foot traffic, tourists, persons looking for specific types of music or an eclectic house for their events.

Industry Analysis

Industry Definition

The past 10 years has seen numerous venues open, such as Zootz, The Big Easy, and Stone Coast Brewery, and as many close, Raoul's Roadside Attraction, Café No, and Granny Killam's, to name a few. This recurring cycle is nothing new to Portland or to any city in the nation. The turnover rate in this industry is high. However, there is an underlying desire among patrons and artists alike, to form a cohesive, supportive, and thriving arts community within Portland, which to this day does not exist. All agree that Portland has a wealth of diverse artistic talents, and has had support for them for many years, but has not found a way to tie these elements together. A business, which recognizes the talents and resources available in these groups and forms a bond between the two, can flourish.

Industry Growth

The growth of the live arts and entertainment industry in Portland is at an interesting period. The large venue sector (i.e. State Theater & Cumberland County Civic Center) has seen a rebirth of interest in live music and increased concert variety. The small to medium size venue sector (ie. Big Easy & Stonecoast) has maintained an uneven pace. This is due to a few reasons in particular. One such reason is the lack of a consistent owner/operator presence in the venue. Another is a lack of realization regarding the important role a smaller venue has in developing a live arts and entertainment market. Larger venues need small developing venues to compliment their continued growth. In turn, smaller venues benefit from major events through increased local traffic and market exposure.

Nightlife is an integral part in establishing any growing city. Arts & entertainment lend culture and social environment to any area inviting new development. Often times the two go hand in hand. The better the economy the more attractive it is to artists. Additionally, the better the culture the more attractive it is to businesses.

Industry Trends

Portland, like any other city, has seen it's fair share of failures in this industry. The media has made focus of this in more than a few instances. What they have left out is *why*? All of these ventures have reasons that explain their demise. We would like to address some of the reasons our experience has shown us.

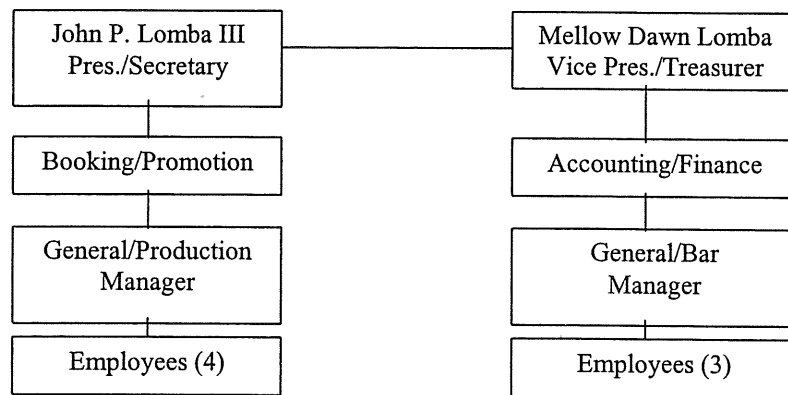
1. Lack of experience. This has and always will play a pivotal role regarding survival in this industry. Regardless, the public perception is that anyone with money, a stereo, and friends can open a club. We've seen this situation in Portland and across the country. In some of these cases, an existing successful venue is purchased and quickly grown tired of once responsibility and the demands of a business set in. In addition, new owners often rely on an already established clientele to return regardless of the change in owners or operations. The result, a community loses a comfortable venue and artists lose another outlet for their art. If the business is new it may do well running off the initial media hype, but that only lasts so long and must be prepared for.
2. High overhead. This can be a killer in any business, the live arts and entertainment industry is no different. Until you've established your customer base and level of stability, it's wise to keep costs as low as possible. Developing a realistic budget and sticking to it can tame this potential monster.

3. Lack of owner involvement and awareness. The more involved you are as an owner, the less likely you'll have problems with mismanagement. There are no limits to how much damage can occur at the hands of the wrong staff or direction. Ultimately, the owner risks the loss as well as the gain. The main responsibility of operations undoubtedly falls best when the owner is at the helm.
4. Substance abuse. Sadly, there is no more of a sure-fire way to lose employees, customers and eventually your business than a problem with substance abuse. It may seem a random thing, but it is not an uncommon factor in this industry. Obviously, such a problem can be particularly detrimental in a cash business such as this.

It is important to offer a broad view of these reasons for failure. Regardless of what your advantages are, the possibility of failure still exists and is complicated by lack of serious attention to any of these elements. At the same time, the more experienced and aware you are of the pitfalls the easier it will be to avoid them.

Principals/Organizational Structure

The owners of The Engine Room will be directly responsible for the overall direction, objective setting, and operation of The Engine Room, as well as sharing all general management duties. In addition, they will be individually responsible for the following:



Products

The following list of goods and services will be offered at The Engine Room. Each item is listed in no particular priority order.

Live Original Music (eclectic format)

- A. Local: all genres
- B. Americana: folk, traditional blues, traditional country, swing
- C. Jazz: traditional, acid, experimental/improvisational forms
- D. Rock: roots, alternative, punk, rockabilly, pop
- E. World: reggae, foreign
- F. Other: regional, national

Poetry/Spoken-word

- A. Host to the City of Portland's National poetry slam team
- B. Bi-monthly poetry slams/readings (21 and over)
- C. Monthly poetry readings (all-ages)
- D. Monthly spoken-word event (21 and over/all-ages matinee)
- E. Regional/national touring poets and spoken-word artists
- F. Monthly round table discussion of local issues

Live Theatre

- A. Monthly one-act theatre performance (introduce in winter 1999)
- B. Touring independent theatre troupes
- C. Local/student theatre performance.

Film

- A. Bi-monthly 8mm/16mm classic/noir film screening and discussion (introduce winter 1999)
- B. Monthly local/student independent film screenings
- C. Quarterly independent film festivals
- D. Yearly animation/cultural film festival
- E. Touring independent films (based upon availability)

Refreshments

- A. Beer: draught, bottle, local/national microbrews
- B. Wine
- C. Liquor
- D. Coffee/tea
- E. Soda/juice
- F. Bottled water

Food

Food will be available at all times in compliance with Maine State Liquor laws according to our liquor license.

Services

- A. Rehearsal space/time for local independent performers/theatres.
- B. Art gallery: monthly local "unknown"/student artists showings
- C. Events rentals

Community Service

- A. Artwalk
- B. Art scholarship/grant & Artist time donation program
- C. Charitable benefit events

Other

- A. Open-mic
- B. Local music showcases/festivals

Equipment

The initial investment for operating equipment will be minimized by the purchase of pre-owned equipment whenever possible.

1 Computer	Safe
3 Adding machines	Tables and chairs
Office supplies	Trash barrels
1 Kegilator keg cooler	Bar linen
2 Two-door coolers	Stereo
1 Storage cooler/refrigerator	Sound system
2 Cash registers	Ice machine
1 Three-bay sink	Coffee machine
2 Well sinks	Telephone
2 soda/juice dispensers	Fax machine

Marketing Strategy

Booking

The City of Portland is known around the country as a warm and welcome stop for any artist. Maintaining communication with agents and artists, and creating a relationship with them is essential to the live arts booking process. If their artists are treated well and things are handled professionally they are generally eager to return and work with you on as many future events as possible. In this industry word travels fast, if you consistently do good professional productions with respect to their talents, they will tell people in their industry including other artists, crewmembers, and management. We have seen this approach work and built a solid reputation on it, maintaining professional (and personal) relationships from Portland, Maine to Seattle, Washington and in between. Local artists are a key support network for these relationships. Often times touring artists have a desire to meet local talent and form a bond as this strengthens their base in the market and adds to their credibility with the local community. In addition, no small venue can survive for long without supporting and the support of local artists. Providing a wide array of artists locally and from abroad will help establish a strong and dedicated customer base.

Our approach to booking will also be eclectic and varied in nature. Variety is a refreshing factor that lends to greater interest than that of monotony. When a survey was made of "possible marketing and promotion initiatives" it was found that 84% of people polled were either very or somewhat interested in a choice of "several different types of events" (A Plan for Portland's Arts District, Sprouse & Goldring, 1995). This approach is time tested and has proven successful for the owners of The Engine Room and their work with other venues.

Most events will be booked with the artists receiving a percentage of the tickets sold rather than a straight guarantee. This will lower the risks and costs of our business.

Promotion and Advertising

The Engine Room has been a work in progress since November of 1997. During this time we have talked to many people regarding this project. Furthermore, the Casco Bay Weekly did a cover story on January 14, 1999, following our efforts to start our own venue. (See Appendix D.1) This lent greatly to spreading the word. Widespread word of mouth has already established a firm base for our initial promotion and advertising.

Use of any and all free publicity is essential to this business. The advertising strategy The Engine Room will employ will consist of advertising in the following media:

1. Magazines: GO, Casco Bay Weekly, FACE, Northeast Performer, Egg
2. Newspapers: Portland Press Herald, The Times Record, Lewiston Sun Journal, Kennebec Journal
3. Radio: WMPG, WCLZ, WCYY, WTOS, WERU, WBOR, WRBC, WMEA
4. Mailing List: direct and e-mail
5. Web Page
6. Sponsorships
7. Flyers
8. Word of mouth

All of these media outlets accept calendar and events listings at no cost to The Engine Room. Our initial media promotion/advertising plan will include:

	Yr. 1	Yr.2	Yr.3
Magazines	7,800	8,970	8,970
Newspapers	1,600	1,840	2,116
Radio	2,600	2,990	3,438
Mailing	200	600	1,200
Total Expenditure (See Appendix B.1)	12,200	14,400	15,724

Sales Tactics

The Engine Room will use low cost marketing and advertising, and customer service as our main sales tools. The sales approach will not be abrupt or removed, but rather inviting and informed. It's our philosophy that a friendly staff adds to our environment's safety and lends greatly to return customers.

Any and all discounts or special prices will be approved through John Lomba or Mellow Lomba. Normal sales terms will be cash or credit card. Any exceptions to these will be approved through proper management.

Pricing Trends

Average club admissions have remained steady over the past five years. Price ranges anywhere from \$1 for music on the side, to \$30 for cabaret shows. The Engine Room will range between \$3 and \$12 on the average with the bulk of shows falling in the \$5 to \$8 bracket.

Often times the live arts and entertainment consumers must choose from venues that charge upward of \$20 per event. Generally speaking the club circuit doesn't offer much entertainment to this crowd. This is where The Engine Room distinguishes itself from other clubs. We are able to offer a broader spectrum of entertainment that appeals to the more discerning customer.

The Engine Room will price itself according to the current market, keeping drinks reasonable and profitable. Drink specials will be just that, special and will never be a focus at The Engine Room.

Management Team

The management team of The Engine Room will consist of John P. Lomba III, owner/manager and Mellow Dawn Lomba, owner/manager. Below is a brief summary of John and Mellow's experience.

John P. Lomba III:

John has been working in customer service based industries for over 15 years. The past 6 years have been devoted to building a reputation and career with his life-long passion, music. Prior to his 1993 entry into the music industry as co-booking agent for Granny Killam's, he spent years as a regular patron of live music and arts events. Since then, John has continued live arts booking and promotion from Portland, Maine to Seattle, Washington and back again. Most recently, he spent all of 1998 at Asylum in Portland as booking and promotions manager, leaving in January of 1999 to pursue his own venture with his wife Mellow. While at Asylum, he successfully introduced eclectic artists and events and worked to create a niche for the venue. Prior to Asylum, he spent 2 years at the O.K. Hotel in Seattle, Washington. Booking, promoting, and producing over 40 different shows per month on 2 stages, he successfully restored the club's reputation as a premier venue in the city, with virtually no operating budget.

John will be directly (D) or indirectly (I) involved in the following operations at The Engine Room:

Objective Setting (D), Communicating (D), Coordinating (D), Controlling (D), Organizing (D), Staffing (D), Planning (D), Leading (D), Public Relations (D), General Administration (D), Risk Management (D), Advertising (D), Purchasing (D), Operations (D), Personnel (I), Marketing (D), Finance (I), Sales (D), Legal (D), Taxes (D)

Mellow Dawn Lomba:

Mellow has spent over 10 years in the food and beverage service industry. She spent 5 years working in the Seattle, Washington restaurant and nightclub industry. Starting out cocktailing, she quickly worked her way into bartending positions. When a management position at the city's most established live arts club, the O.K. Hotel, was offered, she accepted, moving from bartender to café and floor manager. Most recently, she relocated to Maine in December 1997, and within 2 months, took over as general manager of Asylum. Her duties included accounts payable/receivable, daily bookkeeping & deposits, staffing, and supervision.

Mellow will be directly (D) or indirectly (I) involved in the following operations at The Engine Room:

Objective Setting (D), Communicating (D), Coordinating (D), Controlling (D), Organizing (D), Staffing (D), Planning (D), Leading (D), Public Relations (D), General Administration (D), Risk Management (D), Advertising (I), Purchasing (D), Operations (D), Personnel (D), Marketing (I), Finance (D), Sales (D), Legal (D), Taxes (D)

The Engine Room will involve participatory management. Each principal has talents stronger in some areas than the other, therefore, they will hold primary responsibility in that area. However, the management team will have the essential broad overview of all aspects of The Engine Room whether their involvement is direct or indirect.

Strategic Planning

The long-term goal of The Engine Room is to become the premier live arts venue in Portland through excellent service and production, increased sales, increased quality, and a supportive community. The first five years will be dedicated to financial stability, growth, and market strength. Within this time The Engine Room will be the most recognized name in quality live arts and entertainment and in service. Management and employees will use their experience to achieve leadership in the market. Excellent service, quality live arts, customer satisfaction, and word of mouth will allow The Engine Room to achieve nearly \$450,000 in sales after the fifth year of operation (see Appendix C.2).

The Engine Room will focus immediately on our location in the Arts District and work diligently to support all efforts by the City of Portland and the businesses within the district to form a strong and prosperous arts community.

Milestone Schedule

The Engine Room will use the following activities as critical milestones to plan and time the operations of the venture:

1. Business plan completion = March 1999
2. Financing = October 1998 through November 1999
3. Incorporation = June 1999
4. Construction = August 1999 through October 1999
5. Supplier/dealer = October 1999
6. Order placement = October 1999
7. Order receipt = October 1999
8. Grand opening = October 1999

Risk Analysis

We have listed previously what we feel to be the most apparent risks associated with this particular industry. Naturally, there are never any guarantees to success regardless how prepared you may think your plan to be. However, we feel prepared to limit the risks to a minimum.

Revenue Generation

The Engine Room's two primary sources of revenue are ticket sales and beverage sales. The projections below are for an average month of 30 days, and are based upon the number of events, number of attendees, ticket revenue, and beverage revenue. All dollar amounts are gross amounts except ticket revenue, which is 30% of gross, as the average event will be paid on a 70% artist/30% house basis.

A. Total revenue	\$24,498
B. Number of events	26
C. Number of attendees	2,172
D. Ticket revenue	\$2,778 (\$9,260 gross)
E. Beverage revenue	\$21,720

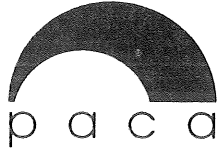
The average customer at The Engine Room will spend \$4.30 per event on tickets and \$10.00 per event on beverages.

Our first year projected gross totals for each category:

A. Total revenue	\$293,989
B. Total events	312
C. Total attendance	26,065
D. Total ticket revenue	\$33,339 (\$111,130 gross)
E. Total beverage revenue	\$260,650

Appendixes

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Casco Bay Weekly Cover Story	D.1



portland arts and cultural alliance

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March 26, 1999

To Whom It May Concern:

I have met with John and Mellow Lomba and we have discussed their plans for the Engine Room. I have also read their draft business plan. I am very impressed with them and I support their plans whole-heartedly.

As you may know, the Portland Arts and Cultural Alliance (PACA) is Portland's local arts agency. Our membership consists of over 40 arts and cultural organizations as well as businesses, artists, and individuals. An important part of our charge is to promote and advocate for the continued development and vitality of Portland's Arts District.

The Engine Room, as presently conceived, will fill a niche currently unoccupied yet sorely needed. In addition to non-profit arts presentors, a thriving Arts District must have commercial entertainment opportunities where patrons of varying ages can listen to live music, dance, and enjoy food and drink. Right now, there are very few such places in the Arts District. The Engine Room, with its eclectic programming mix of music, poetry, theatre and film, and with its desire to appeal to a wide range of age groups, is perfect for the Arts District.

Moreover, I believe that John and Mellow bring to this project a wide range of experience in the entertainment field, excellent reputations, and a commitment to develop a quality live arts venue. I support this project without reservation and I hope that they receive the assistance necessary to make the Engine Room a reality.

Please call if I can be of any further assistance to this project.

Sincerely,

Deborah Krichels
Executive Director

B.1 Primary Source of Information About Arts Events

	Primary Market	Extended Market
Maine Sunday Telegram	12%	19%
Casco Bay Weekly	15%	10%
The Portland Press Herald ("GO" section)	59%	54%
National Public Radio	2%	4%
National Public Television	1%	1%
Direct mail from Arts Groups	8%	6%
Word of mouth	3%	3%

B.2 Spending Associated with Attendance

Arts attenders were asked:

How much, including the tip, would you say you usually spend, per person each evening?

The average per person expenditure was estimated at \$22.86 for the extended market group as a whole. Primary market area attenders spent slightly less, averaging \$22.32 per person, per event.

All above tables are from A Plan for Portland's Arts District, Sprouse & Goldring, 1995. The "primary market area" refers to residents of Portland and South Portland, Cape Elizabeth, Cumberland, Falmouth, and Westbrook. The "extended market area" includes the communities listed above and adds to the primary area the following communities: Biddeford, Brunswick, Freeport, Gray, Gorham, Harpswell, Kennebunk, Kennebunkport, Long Island, New Gloucester, North Yarmouth, Old Orchard Beach, Pownal, Saco, Scarborough, Windham, and Yarmouth.

C.1 Cash Flow Projection Sheet

	PRE-START	Nov-99	Dec-99	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00	Jul-00	Aug-00	Sep-00	Oct-00	TOTAL
CASH ON HAND	\$40,000	\$12,105	\$19,119	\$25,285	\$29,695	\$34,096	\$39,871	\$45,943	\$52,378	\$64,049	\$75,859	\$86,619	\$96,976	\$107,717
CASH RECIEPTS														
Ticket Sales (NET)	\$0	\$2,586	\$2,604	\$2,220	\$2,136	\$2,340	\$2,412	\$2,325	\$3,516	\$3,555	\$3,195	\$3,054	\$3,396	\$33,339
Beverage Sales	\$0	\$20,650	\$21,350	\$16,600	\$16,700	\$18,300	\$18,600	\$19,500	\$27,300	\$27,500	\$25,000	\$24,550	\$24,600	\$260,650
Loans/Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL CASH RECIEPTS	\$0	\$23,236	\$23,954	\$18,820	\$18,836	\$20,640	\$21,012	\$21,825	\$30,816	\$31,055	\$28,195	\$27,604	\$27,996	\$293,989
TOTAL CASH AVAIL.	\$40,000	\$35,341	\$43,073	\$44,105	\$48,531	\$54,736	\$60,883	\$67,768	\$83,194	\$95,104	\$104,054	\$114,223	\$124,972	\$401,706
CASH PAID OUT														
Purchases (Beverage Cost)	\$1,000	\$5,162.50	\$5,337.50	\$4,150.00	\$4,175.00	\$4,575.00	\$4,650.00	\$4,875.00	\$6,825.00	\$6,875.00	\$6,250.00	\$6,137.50	\$6,150.00	\$66,163
Production Cost	\$0	\$2,400	\$2,400	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$25,800
Gross Wages (Ex. withdrawals)	\$0	\$3,000	\$4,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$4,000	\$4,000	\$3,000	\$3,000	\$3,000	\$39,000
Payroll Taxes & Benefits	\$0	\$450	\$600	\$450	\$450	\$450	\$450	\$450	\$600	\$600	\$450	\$450	\$450	\$5,850
Alarm Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20	\$20	\$20	\$20	\$20	\$100
Advertising	\$1,000	\$1,000	\$1,000	\$800	\$800	\$800	\$800	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$12,200
Bad Debts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dues/Subscriptions	\$430	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$790
Laundry & Linen	\$0	\$60	\$80	\$60	\$60	\$65	\$65	\$65	\$80	\$80	\$70	\$65	\$60	\$810
Legal & Accounting	\$0	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,200
Office Expenses	\$0	\$30	\$50	\$30	\$30	\$30	\$30	\$30	\$50	\$50	\$50	\$30	\$30	\$440
Repairs & Maintenance	\$0	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$0	\$50	\$50	\$50	\$50	\$550
Supplies	\$200	\$150	\$300	\$150	\$150	\$175	\$175	\$175	\$200	\$200	\$175	\$150	\$150	\$2,350
Phone	\$200	\$200	\$250	\$200	\$200	\$200	\$200	\$225	\$250	\$250	\$250	\$225	\$225	\$2,875
Utilities	\$1,000	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$10,600
ASCAP Fees	\$700	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$700
Insurance	\$1,500	\$650	\$650	\$650	\$650	\$650	\$650	\$650	\$650	\$650	\$650	\$650	\$650	\$9,300
Rent	\$4,280	\$2,140	\$2,140	\$2,140	\$2,140	\$2,140	\$2,140	\$2,140	\$2,140	\$2,140	\$2,140	\$2,140	\$2,140	\$29,960
Taxes & Licenses	\$4,585	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,585
Miscellaneous	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$14,895	\$16,223	\$17,788	\$14,410	\$14,435	\$14,865	\$14,940	\$15,390	\$19,145	\$19,245	\$17,435	\$17,248	\$17,255	\$213,273
Loan Principal Payment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Purchases	\$5,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,000
Other Start-up Costs	\$8,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,000
Other Withdrawal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Owner's Withdrawal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL CASH PAID OUT	\$27,895	\$16,223	\$17,788	\$14,410	\$14,435	\$14,865	\$14,940	\$15,390	\$19,145	\$19,245	\$17,435	\$17,248	\$17,255	\$226,273
CASH POSITION	\$12,105	\$19,119	\$25,285	\$29,695	\$34,096	\$39,871	\$45,943	\$52,378	\$64,049	\$75,859	\$86,619	\$96,976	\$107,717	\$175,433

C.2 Projected Sales for Years 2 through 5

Yr. 2	Yr. 3	Yr. 4	Yr. 5
\$323,387	\$362,193	\$405,561	\$446,117

C.3 Profit and Loss Statement for Fiscal Year 1999-2000

<u>Revenues</u>	
Beverage	\$260,650
<u>Tickets</u>	<u>\$33,339</u>
Total Sales	\$293,989
Purchases (Beverage Cost)	\$66,163
Production Costs	\$25,800
Gross Wages	\$39,000
Payroll Taxes & Benefits	\$5,850
Alarm Service	\$240
Advertising	\$12,200
Dues/Subscriptions	\$790
Laundry/Linen	\$810
Legal & Accounting	\$1,200
Office Expenses	\$440
Repairs & Maintenance	\$550
Supplies	\$2,350
Phone	\$2,875
Utilities	\$10,600
ASCAP Fees	\$700
Insurance	\$9,300
Rent	\$29,960
Depreciation	\$13,000
<u>Taxes & Licenses</u>	<u>\$4,585</u>
Total Expenses	\$226,273
Total Profit	\$67,716

C.4 Balance Sheet

<u>Current Assets</u>	
Cash	\$12,105
Inventory	\$1,000
Supplies	\$200
Pre-Paid Expenses	\$13,695
<u>Fixed Assets</u>	
Equipment	\$5,000
Leasehold Improvements	\$8,000
Total Assets	\$40,000
<u>Liability & Equity</u>	
Owners Equity	\$40,000
Total Liability & Owners Equity	\$40,000

COVER STORY

CASCO BAY WEEKLY
JANUARY 14, 1999

Getting clubbed

John Lomba wants to start a new music venue in Portland. First he'll have to find a building and get a liquor license. Then he has to carve out a niche in the city's struggling club scene. It's enough to make you quit before you start

by Allen Dammann



Music promoter John Lomba sits behind the wheel of his car and gazes out at a decrepit two-story building on the outskirts of Portland's Old Port.

Lomba is looking for a place to start a music club, but this building, with its doleful windows and slouching posture, seems resigned to a slow collapse, like a balloon gradually losing its air. Lomba remains hopeful. He scribbles down the name and phone number of the real estate office in a notebook. "That's actually a really neat building," he says when he's done taking notes, literally closing the book on the issue. "I've been in there

before and it's a pretty cool place."

Over the last year, the 30-year-old has seen his share of places like it, some less cool, some more so, but all of them vacant or soon-to-be-vacant buildings. Drawing on five years' experience in the music industry -- the last one at Asylum, the club on Center Street in Portland where he worked until early January -- Lomba wants to transform one of those empty buildings into a music venue of his own. He plans to open this winter. "Basically, I'm at a point in my career that I've put five years into this," he explains, "and I have to figure out, either I'm going to go this way or that. And I just don't see myself booking for someone else as a career."

Like any attempt to get a small business up and running, Lomba's venture is a risky affair. Despite perennial claims there's a diverse enough population to support a wide range of venues in Portland, more than a few music clubs have failed in the past few years. So in addition to the paperwork, bureaucracy and elbow grease needed to start his own enterprise, Lomba must also contend with the legacy of such losing propositions as Morganfield's, Granny Killams and, more recently, Millennium and Raoul's Roadside Attraction.

Club of dreams

Lomba isn't worried the market is too tight to sustain another club. "Portland's small, but there's enough people here," he says confidently. It's a Friday morning and he's ducked into his favorite coffee shop, a local java hut where customers sip Asian-style from daunting two-handed bowls. He's dressed semiformal in slacks and a button-down shirt, attire that doesn't jibe with the flames of bright, fiberglasslike red hair licking at the rim of his baseball cap. Tall and lanky, he explodes into a jumble of right angles when he finally lowers himself into a chair, knees and elbows poking out.

As Lomba picks at a breakfast muffin, expounding on his club between bites, he betrays little trepidation about his venture. Part of that self-assurance comes from his vision of the club, a vision he's crafted down to the smallest detail. He sounds like he hopes to establish a Ginsu knife of the music scene, an all-purpose venue that adapts itself as easily to slam poetry and independent films as it does to hardcore shows. "Yeah, it'll be a multimedia venue, but not a

carnival." Lomba says. "I'm not sure how much of a community there is between the different media, but I'd like to find a way to pull them all together. A place that allows something beside straight-up music."

Of course, places that allow something besides straight-up music already exist, most notably the Fine Arts Cinema on Congress Street. Lomba claims not to know the former porn theater's agenda, but the parallels aren't lost on Michael Whittaker, the manager of the Fine Arts.

"Anytime you have a great idea," Whittaker says, "someone with a ton of money is going to come along and think they can do better." He draws a distinction between the objectives of the Fine Arts and those of Lomba's club. "It's kind of an ideological difference," he says. "He's setting himself up as a patron, the king of Vienna giving Mozart a few bones to write music that doesn't have too many notes. What I'm doing is more proletariat." Nonetheless, he says if an additional venue means more artists can make a living at their work, he supports it. Switching momentarily to a gothic voice, he growls, "I welcome all comers! Competition is the healthiest, most American thing there is."

Lomba echoes the good sportsmanship. "All it does is strengthen the scene," he says. "Gives people another venue to strive to play in."

Lomba never discusses whether he has a ton of money backing his venture. He does, however, dream of using his club for more than just showcasing talent. In addition to selling local CDs, he ultimately hopes to market the promotional material of Portland bands, including posters, T-shirts and stickers, giving the profit to musicians and keeping only enough to cover overhead. Eventually, he may funnel some money toward art scholarships. "We have some vision and there's a lot of thought behind it," he says.

Ideally, Lomba wants that vision to end up on the perimeter of the Old Port. Though he's looked at property west of Longfellow Square, he prefers to locate the place near the action -- just not inside of it. "It's fairly obvious the focus in the Old Port is more on booze," he says. "And I think you get a more dedicated crowd and a better chance of building a good, solid, lasting clientele outside of the Old Port. You have to give people a reason to go into your venue, not just because they've already walked by 10 other bars and yours looks the most interesting."

Finding, promoting and sustaining a reason for people to go into his club may be the greatest challenge in store for Lomba, but it's only one link in a chain of obligations that lead up to the club's opening its doors.



Portrait of the entrepreneur

A native of Bath, Lomba moved to Portland after he graduated from high school in 1987. Wanderlust took him to Chicago for four months in 1995 ("It was either leave or stay here and keep drinking," he says) followed by a move to Seattle. There, Lomba found his niche as a booking agent. Although the club where he worked had lost its status on the music scene, Lomba rose to the occasion. "It was a pretty sad state of affairs," he recalls. "It had pretty much burnt out its reputation as a venue of contention, so to speak. And that's right up my alley. That's where I tend

to work three times harder than most people, and I managed to pull it off."

He returned to Portland on Christmas Eve of 1997. A week later, he was arranging gigs for Asylum, a job he describes as a mishmash of advertising, networking, public relations and general management. "It's a kind of misconception that you just book a show and it happens from there," he says. "Virtually every other aspect of the business can affect the show in some way. If things are unorganized in one area, it trickles down."

Since moving back east, Lomba and his wife, Mellow, have been taking steps to make their music club a reality, doing everything from drawing up a financial plan to considering the appeal of various names for the club. Twice negotiations with landlords have fallen through, once on the morning they expected to receive the keys. But setbacks haven't discouraged the pair. "We've done most of our homework," Lomba says. "I have a hell of a lot of confidence we can make this thing work."

That homework seems daunting enough, let alone the storm of chores that follows once a club has opened for business. Embarking on a venture like Lomba's means stepping into a small whirlwind of paperwork, permits and inspections. The process starts with creating a business plan, full of dull textbook terms that most of us spend years trying to avoid -- market analysis, financial projections, demographics. It all boils down to one simple question: Is the idea viable? Knowing for sure who's going to shell out and who isn't is what it takes to answer that question, a task that quickly moves beyond assurances from friends and family that they'll patronize your business. There are two ways to go about it. You can dig into statistics tucked away in city files and on the Internet to make an educated guess. Or you can use a clipboard and a pair of walking shoes -- finding out directly from the people what they want.

Lomba is convinced the market is ripe for a modest-sized music club, one that accommodates 300 to 400 people. "If this was three years ago," he says, "there's no way in hell I'd be trying to open this place up." The local music scene has "reached a really interesting point," he adds. "We're starting to see little peaks crop up here and there. Some local bands are releasing new albums, there's a whole crop of new bands and radio stations are starting to do more with local music. All of those things have an effect. They give you more to work with."

By setting up outside the Old Port, Lomba will avoid the waiting list for one of the district's coveted liquor licenses, but he still must clear some legal hurdles before he can tap into the Budweiser. "You come in and fill out a form," says Darren O'Brien, Portland's business license administrator. "It's mostly a formality. We do a background check, and mostly the biggest concern is, are there any alcohol-related offenses, selling to minors in the past or anything like that."

The background check is the first in a string of examinations that must be passed. Everything from zoning to fire safety to health conditions and taxes falls under the magnifying glass. And for new bars like Lomba's, there's an additional test. Before the City Council votes on a liquor license application, the clerk's office runs an ad for three days, giving potential objectors plenty of notice. "We advertise the place will be open and who the owner is," says O'Brien, "so if they have any concerns they can come to the meeting."

Clearing each step of the process is no guarantee of success. Once opened, Lomba's music club must avoid the pitfalls that have already brought down a number of venues.

Going boldly where others have failed before

"We have every intent in the world to be good, responsible business owners," says Lomba. "It's going to succeed because we worked too hard for it not to. And I've got all the little irresponsibilities about being in this business worked out of my system."

Even Lomba's combination of work ethic and know-how is no talisman against failure. The simple economics of running a music venue in a city the size of Portland can prove unworkable. Just ask Bill Beasley, who founded the failed Granny Killams on Market Street and now manages local band Rustic Overtones. "Your nights are Thursday, Friday and Saturday, 10 p.m. to 1 a.m.," Beasley told CBW two years ago. "That's nine hours a week you have to cover all your costs. The rest of the week you're hardly even open. A music club is a music club, and that's it."

Small crowds and limited hours are just two of the ills that can plague a bar. Another is turning into a popular late-night hot spot whose music and clientele rile the neighbors. The City Council has the power to make liquor and entertainment licenses conditional, and that privilege has been well-exercised in the case of Zootz, a club perennially at war with its Forest Avenue residential neighbors.

"Zootz has some real issues as far as their placement next door to the senior housing project," says Councilor George Campbell, whose district includes the nightclub. "It's a difficult area." Because of complaints, the dance establishment must meet additional requirements to keep its license, such as extra police coverage between the hours of midnight and 4 a.m. "Zootz is constantly looking for a better spot," says Campbell, "but finding a spot that's affordable, it's tough."

Along with the usual assortment of infractions that threaten a club -- inebriated barflies, fights, underage drinkers -- there are other, less typical problems that can ultimately cripple a music venue. Take the Bitter End, for instance. Situated on Fore Street, where it's virtually guaranteed a steady stream of weaving, glassy-eyed patrons, the venue nonetheless faces the possible loss of its license due to behavior by the establishment's owner, Scot Orchow ("News-o-rama," 1.7.99). According to an imposing stack of police reports, Orchow has turned up drunk at his own bar more than once, and was reportedly involved in disturbances

outside the place.

Meanwhile, the Free Street Taverna has also been contending with complaints about noise. Owner Pete Kostopoulos has added an interior door in hopes of quieting things down. The cops have been monitoring the bar with a decibel meter.

None of this, however, fazes Lomba. "We got some vision and there's a lot of thought behind it," he says. "I want to be able to work in some place where I can keep it fresh and eclectic and do different styles all under one roof. I can't really see myself doing that in another venue in town." He adds, "Unless it's my own."

Allen Dammann is a reporter for CBW.

Business Plan Consultants

Jonas Werner, Financial Consultant

John Entwistle, Center Director

Nadine Cole, Interior Designer

Deb Krichels, Executive Director

Susan MacMillan, Bus. Development Rep.

Keith Rollins, Manager

Mary Allen Lindemann, Business Owner

Kris Clark, Independent Promoter

Bruce Mills, Business Owner

Morgan Stanley Dean Witter

SBDC

Reed & Co.

Portland Arts and Cultural Alliance

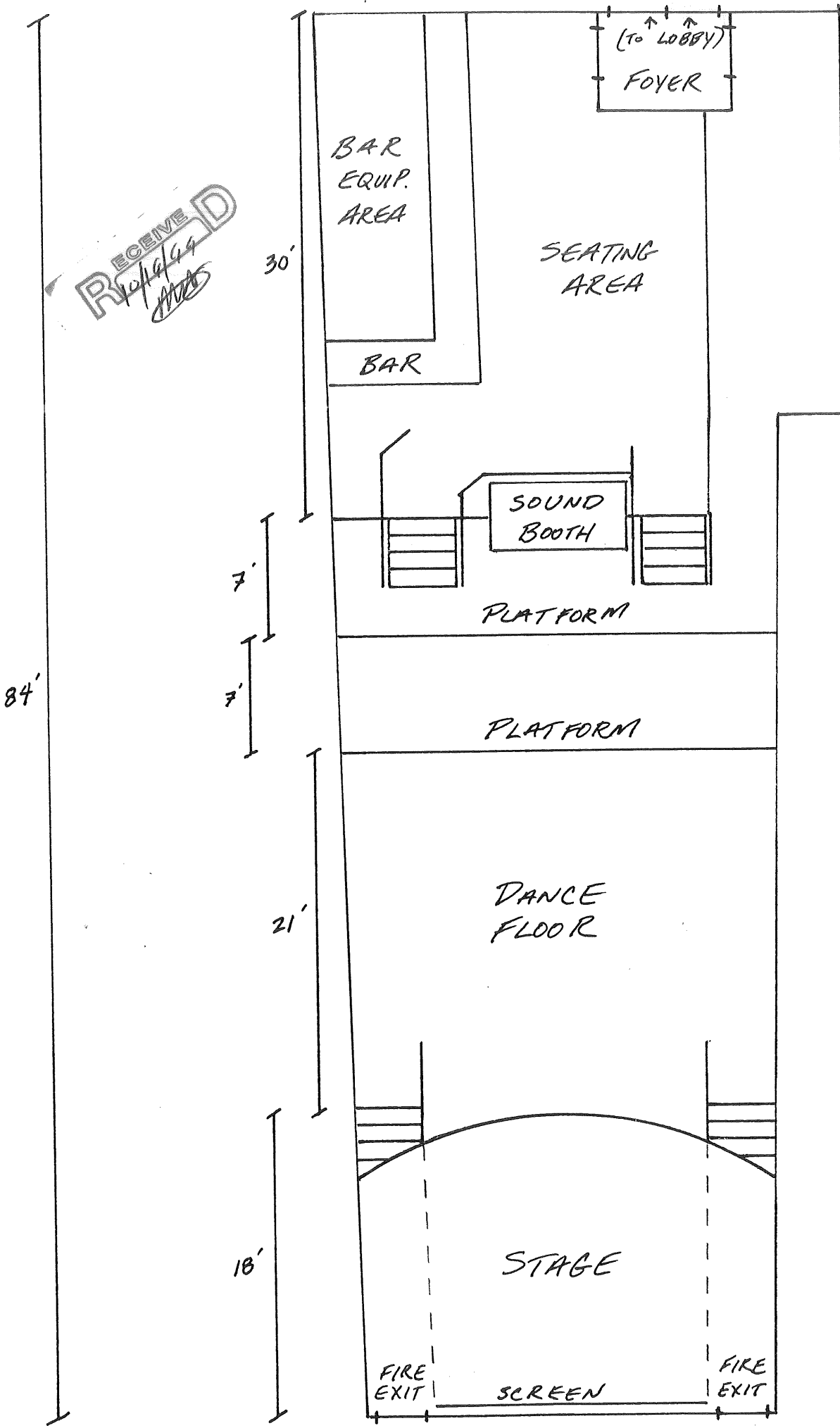
EDC, City of Portland

Resource Hub, City of Portland

Coffee By Design

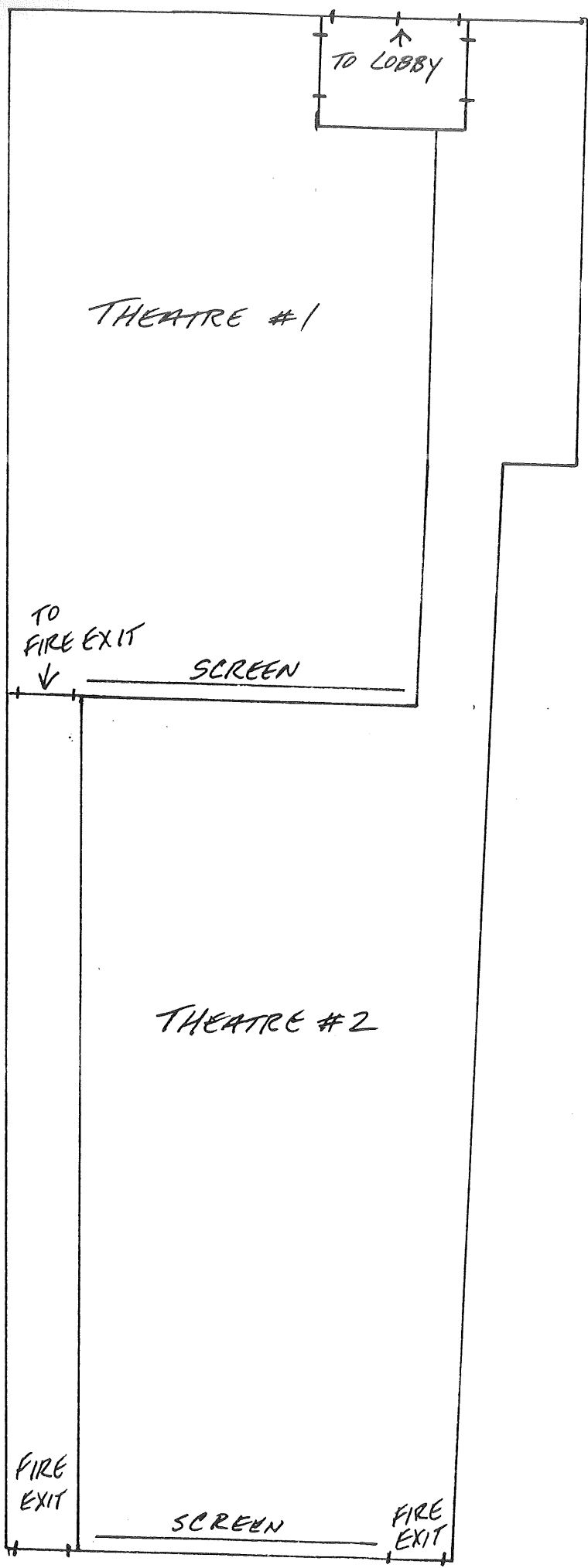
Former Owner, Zootz

Amigo's

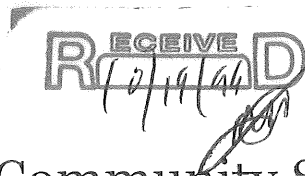


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Community Services

While the Engine Room will be a commercial endeavor, it will not be limited to commercial use. The Engine Room will use its facilities to promote local artists, students, the Portland Arts District, and the community through non-profit ventures and programs. These include but are not limited to the following:

1. Arts Scholarship/Grant Fund: a community funded and operated arts scholarship/grant program for students, artists & at risk youth.
2. First Friday: a monthly "Artwalk" through Portland's arts venues and businesses that display rotating artwork.
3. Space Donation Program: free rehearsal space for local artists and students.
4. Workshop Program: free workshops/lessons for local jr. high & high school students including music, film, poetry, theatre, drawing, dance & photography.
5. Artist Time Donation/Apprenticeship: community liaison/network for Portland students and local artists for a time donation/apprenticeship program.
6. Gallery/Consignment Space: gallery space for local, student and "unknown" artists and consignment space for local and independent musicians and artists.

The basic goal for both the long and short term of these community service programs is to provide support for the Arts district and the community in ways that are also conducive to the Engine Room's operation. The Engine Room has time and space available during normal business days, and since local artists and students have a need for such space, it seems only natural to share our resources. Additionally use of our facility in the heart of the arts district allows us to contribute to the districts continued growth and vitality.

Following is an outline that gives a brief description of the different programs and how they will work. Many of these programs and services crossover or touch upon one another in various ways. This is essential to the establishment of an actual solid and thriving arts and business community. We hope that we along with others can help to create such an environment.

1. ARTS SCHOLARSHIPS & GRANTS:

- A. Arts Scholarship: to be awarded bi-annually
- open to all Portland public high school students
 - must presently be involved in arts studies at school
 - used for furthering arts education post high school
 - need based application approval
- B. Youth at Risk Grant: to be awarded bi-annually
- open to misplaced/at risk youth (teenagers)
 - interest in arts classes/apprenticeships
 - applicants nominated by community members/teachers
- C. Artist Grant: to be awarded quarterly
- open to local artists and art students.
 - used for material cost or studio time cost
 - used to help defray apprenticeship costs
 - proposal based application process
- D. Fundraising:
- two or more benefit performances to be held a year at the Engine Room with all proceeds from the ticket sales to be donated to the fund
 - all Engine Room consignment /gallery commission to be donated to the fund
 - quarterly fundraising events to be established over the first two years (ie. Pack of Downtown Clowns Bike Marathon)
 - donations from the monthly artwalk
 - traditional solicitation of foundations and supporters of the arts

2. FIRST FRIDAY-MONTHLY ARTWALK:

- A. When & Where:
- every first Friday of the month from 5-8pm (to coincide w/Art Museum's free evening)
 - participating venues of art - galleries, museums, shops or places that have rotating artwork or in some other way consistently lend themselves to the arts
 - the area of focus will consist mainly of the arts & downtown districts
- B. Benefits & Goals:
- promotes public involvement and accessibility to the arts
 - provides exposure for the artists of all statures
 - provides exposure for all venues and any surrounding businesses

- helps to create good flow of foot traffic for the districts
- helps towards defining the arts district
- offers the community a way to support the scholarship/grant programs by way of donation bins located at participating venues

3. SPACE DONATION PROGRAMS:

A. Hours of Operation:

- Mon. - Fri. 11-4pm (unless otherwise noted)
- Saturday reserved for 18 & under 11-4pm
- use free of charge

B. Structure:

- constant supervision
- sign-up for block of time - (first come, first serve basis)
- there will be certain restrictions on time allotment and over-use

C. Facilities:

- live music recording equipment available
- engineer will have a fee
- band provides any tape/CD/DAT
- screen for viewing films available
- some projection use will be available
- any use of house sound equipment will involve a small fee

4. WORKSHOP PROGRAM & ARTIST TIME DONATION/APPRENTICESHIP:

A. Structure:

- free of charge
- run by local/community artists who wish to donate or trade their time for lessons, workshop or apprenticeship programs
- designed for local students primarily
- workshops to include but not limited to:
 - music, theatre, drawing & film
- production to coincide w/end of workshop
- programs will vary in length
- apprenticeships will vary in study

B. Network:

- utilization of our web-site and local links to post network and openings
- crossover with Youth at Risk program
- work with local resource centers, shelters, community police departments and similar organizations for potential participants

- crossover with scholarship/grant fund
- main pre-requisite will be need

5. GALLERY/CONSIGNMENT SPACE:

A. Gallery Space:

- the Engine Room will utilize all of it's available wall space for the showing of local artists
- the artwork will rotate on a monthly basis
- the artist will be able to post samples of their artwork on our web-site
- there will be a standard 10 % commission which will be donated to the scholarship/grant fund

B. Consignment Space:

- items sold will be an eclectic mix of local, regional and independent music recordings
- all items sold will have a 10 % commission that will be donated to the scholarship/grant fund
- other limited merchandise will also be sold on the same basis as above

This outline is just the beginning stage. There will be an entire year of development. Criteria will be decided, people & resources gathered, revisions made and a solid foundation built.

If anyone has any suggestions, information or services they would like to share, we can be reached at:

horsepower, inc.
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