

the magazine of the home electronics, appliance, and furniture rental industry

Progressive Rentals

Computers

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Can Work For You



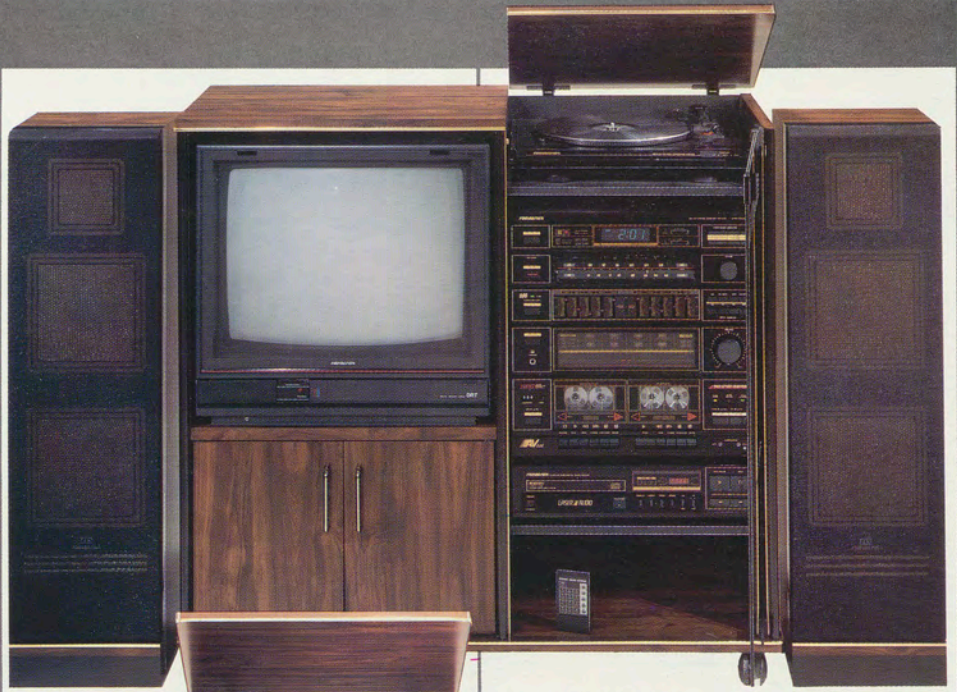
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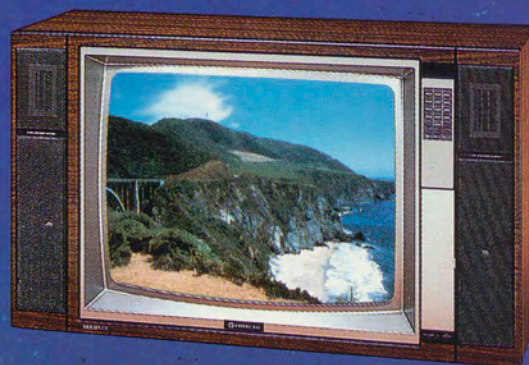
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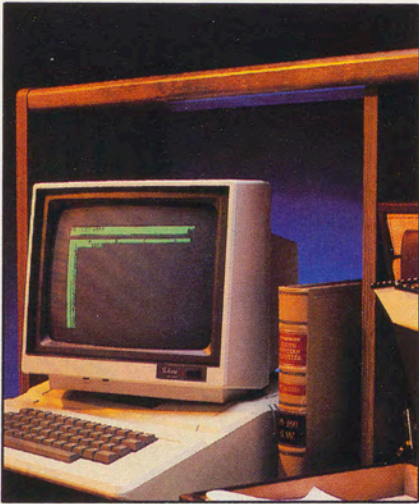
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ON THE COVER: Computers in rental-purchase are creating an exciting new trend. The story on page 14 is full of information on renting computers, and our Who's Who list on page 25 gives a directory to many rental-purchase suppliers in the industry.

COVER PHOTO BY:
Gary Russ

FEATURES

14 HIGH TECH IN THE RENTAL FUTURE

A growing number of computer businesspeople are thriving in today's marketplace because they offer computers for rent. In our cover story, we surveyed four businesspeople whose experience can provide useable guidelines to rental-purchase dealers considering the addition of computers to their inventories.

25 WHO'S WHO IN THE COMPUTER INDUSTRY

With the abundance of hardware and software companies, finding the right one for your company can be a lengthy search. Start with our listing of computer hardware/software sales and service companies that work with rent-to-own.

26 JOINING THE BIG BOYS

Going public is an important development in the life of any company which should be given serious consideration, and rent-to-own is no exception. In this article, we explore the pros and cons of going public, including the mechanics of the process, the roles of the players—underwriters, lawyers, accountants, and company management—and the time and costs involved.

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THE EDITOR'S DESK

This time last year our cover story focused on automating your business. Some of you have crossed the Rubicon, while many of you remain content for the time doing things the way you've always done them. Of course, you are not alone. Though many remain inactive, the impact of the computer on society has been far reaching, both from a commercial and consumer standpoint.

This issue's cover story focuses on the viability of renting computers for home and commercial use. Those interviewed have found commercial rentals to be lucrative, with an emerging home market not far behind. In either case, a clearer understanding of the relationship of today's consumer with the computer may change the way you do business, one way or another.

Although the growth of home use of the personal computer has flattened a bit, the market is far from the saturation level we expect to see in the not too distant future. Computer games and personal financial management constituted the initial lure of the computer for consumer use. These popular applications continue albeit in more complex (or more simple) dimensions.

Perhaps a more lasting and pervasive application of the home computer is as an educational tool. Children are becoming computer literate at much earlier ages. Although the cost of computer hardware and software has come down and continues to do so, the technology is in such a state of flux that the latest programs are perpetually being replaced with the latest, *latest* programs. Truly affordable pricing for the average consumer is a good ways off.

Now think for a moment what that means for the rent-to-own community. A viable new market that centers ultimately on consumer's needs versus their wants. The radio, the television, and the hand held calculator have made their way into virtually every American home. The microwave oven and the computer are following in step. An average home today without a radio, television, or calculator might be considered out of touch.

With each passing generation, society moves faster because raw information is communicated more efficiently. With the heightened levels of sophistication a new standard for improvement is set thus perpetuating the need for tools to implement improvements. The computer is the next "must-have" of the American consumer population. The futuristic lifestyle of the Jetsons is seemingly inevitable.

The market for commercial use of computers is wide open as you will soon read. Dealers have found satisfaction in renting computers to the business community and detail the ins and outs of doing so. Those rental dealers who have computerized their own businesses can attest to the enhanced efficiency and can scarcely contemplate survival in the marketplace without the aid of the almighty computer.

Computer suppliers are aware of the increased activity within the rent-to-own community both as a store operation device and as a part of rental inventory. Several computer suppliers will be on hand at the upcoming APRO show in Las Vegas.

This year *APRO '86: Setting the Pace* addresses a number of issues of concern to today's progressive rental dealer to include: New Product Ideas for Rent-To-Own, Going On Computer, Controlling Internal Theft, Tax Planning for Rent-to-Own, Property Recovery and a host of others.

We've got a great show planned for you with more activity than ever before. If you haven't made you plans to attend, what are you waiting for?

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**Progressive
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June/PROGRESSIVE RENTALS



—Editor

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NAME	Lance Starr	FREE		0		WORK PHONE	213-323-3829
ADDRESS	1665 Maple Street	STATE	CA	ZIP	90020	LAST ACTIVE	01/09/86
CITY	Los Angeles					CREDIT EXP.	1/88
COMMENT						MEMBER EXP.	12/31/99

ACT	ITEM	F	DESCRIPTION	DAY	INVN	QTY	AMOUNT	DEPOSIT	DATE DUE
RTO	009372		Sony VCR						
PMT	009372		Payment No. 14				31.00		3/27/86
RENT	000152	V	Airport	2			2.00		3/26/86
RENT	000167	V	Rocky	2			2.00		3/26/86
SELL	M01		Blank Tape			3	18.50		

DATE	3/24/86	SUBTOTAL	53.60	CHANGE	0.00
TIME	10:35	TAX	3.48		
SALESMAN	Alan	PAYMENT	56.98	METHOD	CASH

OVER	RTRN	SELL	PAY	CNCL	DISC	SEARCH	MENU	DONE	HELP
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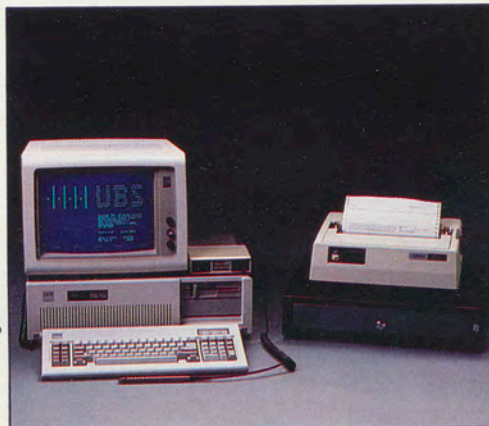
UNIQUE.

The Rent-To-Own business is unique and RTO stores have unique problems. When a store is small, simple manual controls can be effective. The basic paper contract is easily understood and captures all the information you need to stay in control of your business. But as you grow, you begin to lose track of customers, payments, and just how profitable or unprofitable each item has been. Your simple solution will generate a complex and time-consuming mountain of paperwork. The question is how to make life simple again?

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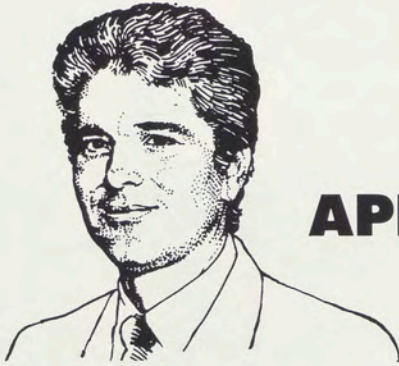
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APRO '86 CELEBRATES THE INDUSTRY

I note that it is almost convention time again. That means hundreds of rental dealers are making plans for the trek to Caesars Palace in Las Vegas. APRO '86: *Setting The Pace* is an upbeat affair, that celebrates the fact that there is a new, good, and viable industry in the U.S.

As an industry, we realize we still have a lot of ground to cover and a lot of things to learn. It has not been as profitable a year for many dealers as they would have hoped or expected. Dealers will come to Las Vegas to hear if this story is the same in other markets. I predict that it will be. Dealers will come looking for answers to questions about why they aren't growing as fast as they would like. Dealers will also come looking for answers to more specific questions, like how to get cheaper financing, insurance, and products; how to get better employees; how to get them to work more effectively; and what to rent and how to rent more of it at higher rental rates.

Dealers will come to the seminars to listen to the experts—and we think that we have speakers on a wide variety of topics who have valuable information to share. But ultimately, dealers will come to visit with others in their trade—to talk to their brethren and collect opinions about what they are doing right and what they are doing wrong.

In years past, dealers have told me that the convention served to validate their business practices. Other dealers, often rookies in the business with precious little to guide them, came to an APRO convention and found that their business instincts were basically sound and that they were headed in the right direction. That can be an enormous comfort to someone who

has risked everything he has to start renting TVs for a living.

After a point dealers realize that there really is no magic solution to the problems of this business any more than there is in any other business. The rental business is tougher than many, perhaps, but it rewards sound business practices and hard work. The APRO convention is a time when dealers committed to the struggle to succeed can get together with their peers and acknowledge at some level that they are all in this business together. Perhaps only other rental dealers can truly appreciate the joys and the agonies of running a business like this one.

Most of the year dealers spend time worrying about how well the guy down the street is doing, and how he is managing to steal so many customers when his collection practices leave so much to be desired. Most of the year dealers have to worry about who is going to come to town next and slice the pie up even smaller. For most of the year, dealers wake up every day and worry about how many TVs are going to come back that afternoon, or what kinds of employee problems will surface, or what kinds of consumer complaints will come in the day's mail. For five days of convention, however, dealers can mingle with other dealers and take measure of the larger picture—a step away from the daily headaches back home. They can and will tell stories about themselves that made them cry when it happened, but will make other dealers laugh when they hear it.

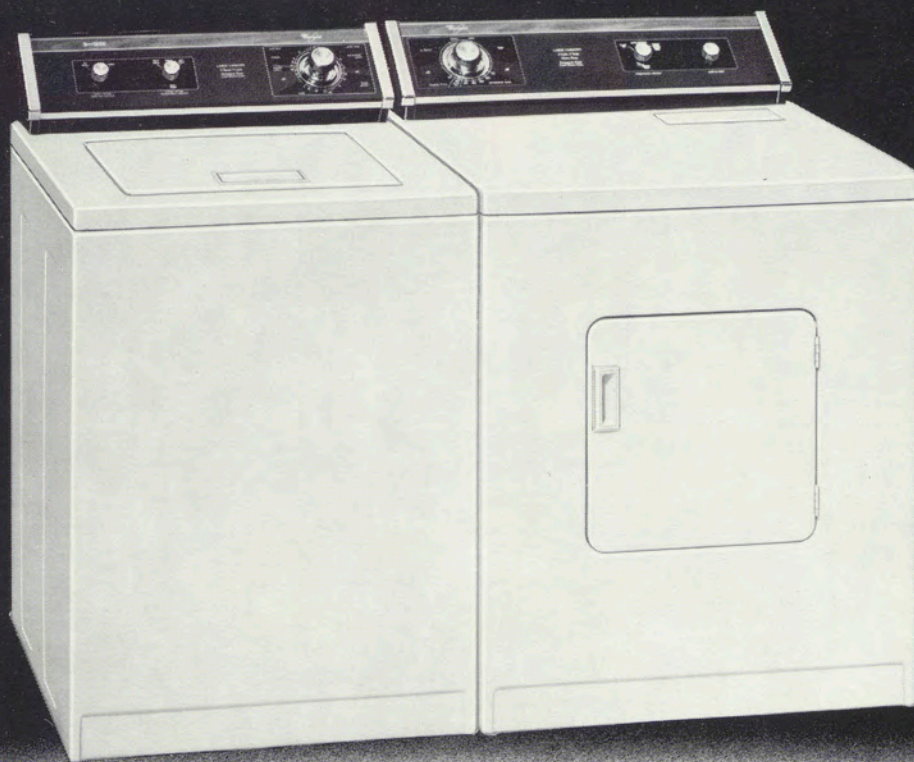
Dealers will pick up a new idea or two, maybe from one of the speakers, maybe from one of the suppliers on the floor, maybe from another dealer in a hotel room in the wee

hours of the morning, and go home knowing that those nuggets more than paid for the trip.

Most associations have conventions of some sort. APRO tries to have good ones, and we are young enough where there is still a freshness to it all. We try to have serious ones, because we know that our dealers really neither want to nor can afford to fritter away too much time. We hope that the 1986 convention will be the best one ever—very informative and lots of fun at the same time. We have been working hard to get it organized, and I think that we have a good program for you. All we need now is to get a crowd of you at Caesar's in July. I hope to see all of you there. I promise that you won't be disappointed.

EDWARD L. WINN III
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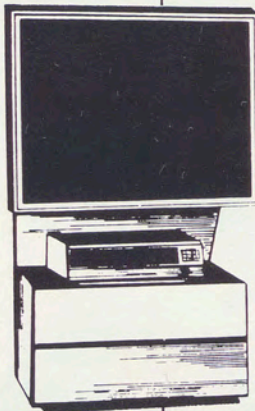
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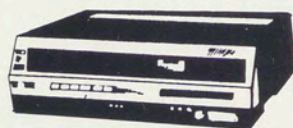
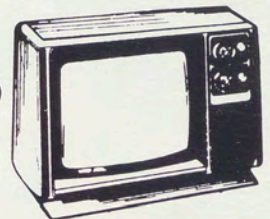
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CORPORATE MOVES



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Hadley



Creagan

The Rental Industry Buying Group (TRIB) has elected a new board of directors after the resignation of **Mac McCullar**, founding member and first director of the buying group. The new board includes: **Lowry Shrader**, chairman of the board; **Mike Corley**, president; **Al Smith**, vice-president; **David Blevins**, treasurer; and **Dan Gaffney**, secretary.

After twenty-five years continuous service, **Jules Steinberg** has announced his retirement as executive vice-president from the **National Association of Retail Dealers of America (NARDA)**. Steinberg—a name synonymous with the cause of the owner/managed business—will make his home in Winnetka, Illinois. An industry-wide recognition dinner was held in Steinberg's honor and hosted by NARDA and several major suppliers to the appliance and electronics industry on May 31, 1986. APRO salutes Jules Steinberg for his dedication and assistance to the retail industry.

Panasonic announces the promotion of **Joe Hicks** as general manager of the company's Southern Group. Hicks, a seventeen-year veteran of Panasonic, will be in charge of the Atlanta, Miami, Dallas, and Houston offices.

Network Rental announces two promotions. **Mitch Ferrell**, currently controller, has been promoted to vice-president/controller. Ferrell oversees all financial and computer operations of the 28-store chain. **Bart Vaughan** has been named human resources director. Vaughan will be responsible for hiring and training of all employees.

Richard Doyon has been appointed vice-president for product development of **Microfast Software**, replacing **Jack Edgerton** who is joining **Racon Incorporated** as marketing coordinator.

An organizational structure as a result of the merger of **Magic Chef** into

The **Maytag Company** was announced today by **Daniel J. Krumm**, chairman and chief executive officer. Named president of the Maytag appliance division is **Leonard A. Hadley**. **S.B. Rymer, Jr.**, will remain chairman and chief executive officer of **Magic Chef, Inc.** **J. Hoyle Rymer** continues as president of the **Magic Chef Major Appliance** division of **Magic Chef, Inc.** **S.B. Rymer, Jr.**, will also continue to head the **Toastmaster, Dixie-Narco** and **Magic Chef Air Conditioning** operations, all remaining a part of **Magic Chef, Inc.** The **Admiral** appliance division will continue to be headed by **Charles A. Dowd, Jr.** as president. In addition to the heads of the three major appliance groups reporting to him, **Krumm** will have on his **Maytag Company**

corporate staff: **Jerry A. Schiller**, senior vice president and chief financial officer; **Sterling O. Swanger**, senior vice president and chief manufacturing officer; **C. Wayne Creagan**, senior vice president of human resources; **Donald C. Byers**, secretary and general counsel; **E. James Bennett**, assistant secretary and assistant general counsel; **Carleton F. Zacheis**, director of corporate planning, and **Robert J. Hover**, director of corporate public affairs. **PR**

Editor's Note: Corporate Moves welcomes company news from all dealers, distributors, and manufacturers involved with rental-purchase. Send information (with photos) to: PROGRESSIVE RENTALS, 1866 InterFirst Tower, Austin, TX 78701.

MANUFACTURERS' NEWS

RCA and Zenith are entering the home satellite dish market this year with models priced at \$2,000 apiece. Industry expectations are for this electronics category to pass for the first time the \$1 billion mark in sales in 1986. In related news, the successful deployment of the RCA satellites Satcom K2 and K1, two powerful satellites operating with 45 watts per channel, makes the cheaper and smaller K-band home dishes feasible. The price of using this remarkable technology will continue to come down.

Fraenkel Bedding Company has developed a special mattress set specifically for the rental-purchase industry. Manufactured under the Windsor Place trade name, the bedding set has a nonvinyl, coated ticking that is water and soil resistant.

N.A.P. has initiated another factory price increase for current **Magnavox, Philco, and Sylvania VCR** products. Combined with an earlier increase, prices have been raised six percent since January 1, 1986. Prices for the 1986-87 VCR line will be increased an additional three to eight percent more than previously announced.

Whirlpool is now marketing a refrigerator trim kit that provides decorating flexibility for side-by-side and French door/bottom-mount refrigerators. Five ready-to-install options are available: black glass-look; reversible wood grain—one side Barton Hickory, the other side Ranch Oak; reversible black leather-look; and Country Cork.

The Board of Directors of **White Consolidated Industries (WCI)** has recommended to shareholders that an offer by **AB Electrolux** of Sweden be accepted for all common shares of WCI for \$47 per share. Under terms of the sale, WCI will become a wholly-owned subsidiary of **Electrolux** and **Ward Smith** will be named its chairman. **PR**

HIGH TECH IN THE RENTAL FUTURE

Renting computers may work for you. Here's how.

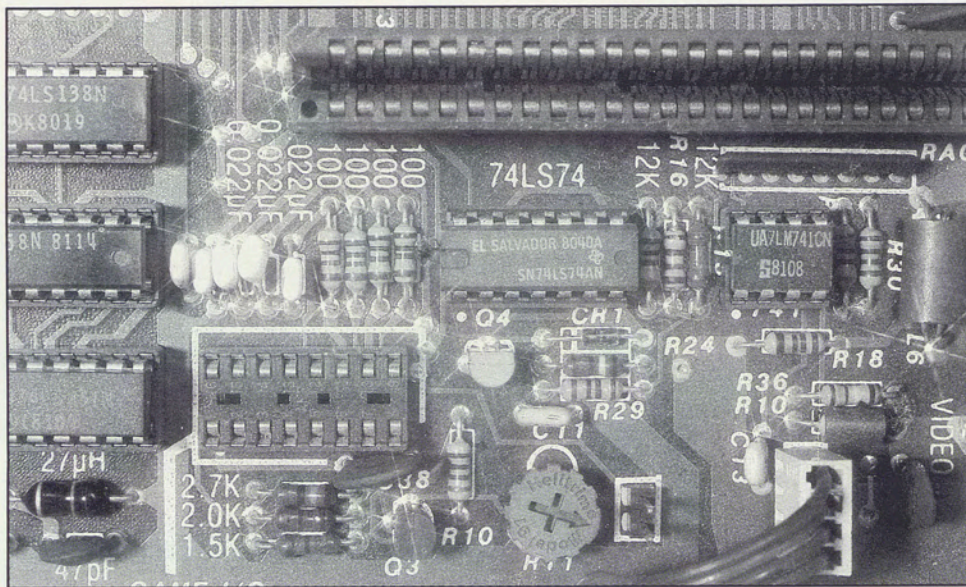


Photo by Gary Russ.

Not so long ago, the greenish glow of the personal computer screen was predicted as being on its way to becoming as widespread in the American home as the glow of the TV screen. Everyone, it was touted, from the suburban living room to the corporate boardroom would have a PC and would wonder how the world ever spun on its axis before they were invented.

Today, the personal computer industry is seeing its share of bad times

with many computer manufacturers and retailers watching their profit and loss statements turn from black to red. However, there is now a growing number of computer businesspeople who are thriving in today's marketplace — because they offer computers for rent.

TAKING A BYTE

Only three years ago, the concept of

computer rental was virtually unheard of. Retail computer outlets were seemingly sprouting like mushrooms in shopping centers everywhere as starry-eyed consumers were lined up at their doors. Today, more consumers are aware of computers' rapid obsolescence and high repair bills, not to mention the costly mistake of choosing the wrong system for one's needs. As a result, computer rental has become the preferred method of automation for thousands of com-

mercial and private consumers.

Few rental-purchase dealers currently offer rental computers; however, the idea is certainly worth examining for those dealers with the right market area. For this report, PROGRESSIVE RENTALS surveyed four businesspeople operating computer rental outlets. Although all work solely with computers, their experience can provide useable guidelines to rental-purchase dealers considering the addition of computers to their inventories. Mike Sheriff, president and founder of Dallas-based First National Computer Rentals, recalls, "We decided to get into computer rentals

GAIL GIBSON, PRESIDENT OF HIGH TECH RENTALS IN AUSTIN, TEXAS, BEGAN HER COMPUTER RENTAL COMPANY AFTER SHE TRIED TO RENT A COMPUTER AND DISCOVERED THAT EVERY STORE IN TOWN WAS OUT OF SYSTEMS.

because no one else was doing it," he says. "We were the pioneers in the business."

Sheriff notes that computer rentals solve many consumer problems not addressed by retailers, including:

- fear of the machinery's rapid obsolescence due to ever-changing technology
- constant price fluctuation
- manufacturer instability — dozens of new companies entering the market, then going out of business and leaving customers with machinery incompatible with other systems and software
- the high cost of service if the computer malfunctions.

Gail Gibson, president of High Tech Rentals in Austin, Texas, began her computer rental company after she tried to rent a computer and discovered that every store in town was out of systems.

"When I was working for another company, we needed an additional personal computer for a trade show," Gibson comments. "When I saw that all the available computers in town were out on rent, I purchased four

IBM PC's and started my own business."

AS ALWAYS, THE BOTTOM LINE IS PROFITABILITY, AND COMPUTER RENTALS DO PROFIT THE DEALERS OFFERING THEM. ALL DEALERS INTERVIEWED REPORT MAKING A PROFIT THIS YEAR, AND BUSINESS IS STEADILY INCREASING.

As always, the bottom line is profitability, and computer rentals *do* profit the dealers offering them. All dealers interviewed report making a profit this year, and business is steadily increasing. For instance, in January 1984, First National's first full month of operation, the company collected \$8000 in total revenues. For the month of August 1985, total income was \$100,000.

TAPPING CORPORATE CLIENTS

Corporate clients constitute the majority of computer lessees, and they range in size from fledgling home businesses to Fortune 500 companies.

CORPORATE CLIENTS CONSTITUTE THE MAJORITY OF COMPUTER LESSEES, AND THEY RANGE IN SIZE FROM FLEDGLING HOME BUSINESSES TO FORTUNE 500 COMPANIES.

Dealers provide several reasons for computer rentals' popularity:

- Many companies already have their own systems in place, but are conducting training programs and require a few extra PC's so all employees can be trained at once.
- Businesses often have special projects that necessitate additional systems for a short time period.

- some companies want a non-balance sheet type of transaction.

- Various corporations and municipalities are allowed to budget for the rental but not the purchase of computers.

- Businesses wish to test a system to see if it meets their needs before making a large investment in its purchase.

"Our original business plan said we would do 60 percent of our business with corporations and 40 percent with individual customers," notes Mike Sheriff, "but it just hasn't worked out that way. Currently, 95 percent of our revenues come from corporations. I don't think a home market has ever really developed for personal computers. Most of the home computers are used for the education of school age children, or they're used by businesspeople who take work home. Very few are actually used for home management functions."

"Seventy percent of our business is in commercial rentals," says Josephine Wong, rental coordinator at Compu-Rent in Austin, Texas. "The remaining 30 percent is comprised heavily of university students, especially at the end of the semester when projects are due."

"It has to do with the fact that so much of our business is commercial," she says. "Many of the companies come to us in the first place because they prefer to, or are required to, budget for computer rental only."

A spokesperson for Rent-A-Byte Computer Rentals in Austin, Texas, lists the declining price of lower-end computers as a primary reason so few customers rent-to-own.

"We rent IBM machines," she says, "and some people find that they can purchase a lower-cost imitation of an IBM for about 60 percent of the IBM cost. Often these 'clones' sell for under a thousand dollars, so customers see no reason to rent an IBM to own, at \$200 or more a month for 36 months, when they can purchase a less expensive machine that performs the same functions. Fortunately for us, a lot of people just won't have an off brand." Rent-A-Byte has not considered rental-purchase of the less expensive machines because the units are prone to frequent breakdowns and compatibility problems.

Mike Sheriff began First National with a rent-to-own program, but dis-

continued it early on.

"Since such a large portion of our revenues come from business users uninterested in rent-to-own, such a program was simply never applicable for us," he says.

RENTAL SPECIFICS

Because the clientele for renting computers is different from the average rent-to-own customer, and because the equipment is used largely for business applications, the terms for renting computers are different than the terms for renting TVs or stereos. Here is a breakdown of the average requirements for renting computers.

- *Length of Rental.* Dealers rent by the day, week, month, year, and to-own.

- *Rental Rates.* Rates vary depending upon the system rented and the length of rental. Lower-end rates include an Apple IIe at \$150 per month and an IBM PC at \$179 per month. Daily rates for these systems range from \$20 to \$45. The higher-end systems,

such as an IBM PCAT with a 2-megabyte hard disk, 640K memory, and a color screen are \$670 to \$850 per month. Many dealers offer a "stepped-rate" payment system whereby monthly costs are reduced as the length of rental increases.

- *The Rental Process.* When a customer comes to the store to rent a computer, he is usually required to complete a general information form less detailed than that of a retailer. None of the dealers surveyed conduct extensive credit checks on customers. They simply verify the customer's driver's license number, address, and bank account status. Some dealers require a security deposit, averaging \$200.

- *Payment Procedures.* On rentals for less than one month, dealers require payment in advance. When renting for more than a month, customers are mailed a monthly invoice which is paid by return mail.

- *Renting To Own.* Dealers' rent-to-own programs differ somewhat from their rent-to-rent

procedures. A first and last month payment is usually required, and at the end of the rental term (which ranges from 18 to 36 months) customers must pay a buy-out cost of 10 percent of the system's original price. One dealer also requires customers wishing to rent-to-own to state this desire at the beginning of the rental.

- *Individual Component Rental.* Several dealers rent computers as complete system packages only. One dealer will rent only printers separately, and another will rent any component as an individual unit. None report any problems with individual rentals.

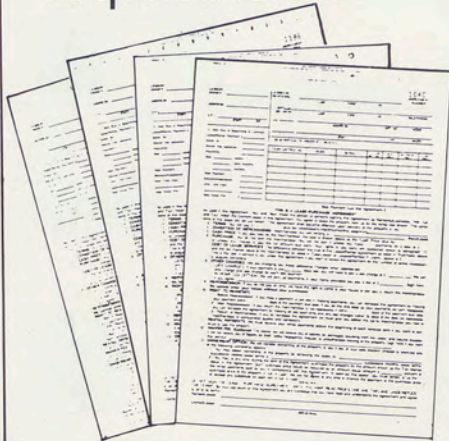
DEALER RESPONSIBILITIES

All dealers provide delivery, installation, and service on their rental computers, however, methods and charges for these benefits vary somewhat.

continued on page 42

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APRO Sets the Pace in Vegas

Over 1300 rent-to-own suppliers and dealers are about to converge on Caesars Palace in Las Vegas for APRO's sixth annual convention and trade show, APRO '86: *Setting The Pace*, on July 10 through 14.

The countdown is now on and the expectations and excitement are building. Each year attendees experience the best in rental-purchase seminars and special trade, product, and services exhibits by many of the major suppliers of the industry. Attendees will not be disappointed this year; everything is bigger and better than ever with over 130 exhibit booths in Caesars' Colosseum exhibit complex.

Because rental dealers are serious minded entrepreneurs, a series of eighteen seminars are scheduled. And keeping in step with the excitement and glamour of Las Vegas, some roaring great times are planned.

Growing Every Year

"*Setting The Pace* is the slogan of this year's convention," notes Elizabeth Johnston, executive director of APRO, "and at this time in the rent-to-own industry, it is particularly apt. The industry has a tremendous growth rate, and it is recognized as a convenient method for a significant cross-section of consumers to obtain quality products. Rent-to-own means attainability of high-ticket home products such as audio, video, furniture, and appliances for a growing number of average consumers."

And the setting is appropriate for the fast pace of rent-to-own. Las Vegas is known as a premier resort destination and offers its 12 million annual visitors a vast array of interesting sights and activities. Whatever your preferences, everyone should see Las Vegas at least once! There's simply nothing like it.

From outdoor beauty to indoor recreational games, Vegas is truly a fun-



Caesars Palace, Las Vegas.

filled city of lights. Plush, oasis-like resort hotels, lavish stage productions, nonstop casino action, and miles of neon lights are the elements that make Vegas the convention and vacation spot that people return to year after year.

Caesars Palace, the grand showplace of the Vegas Strip, is the site of the convention and trade show. This modern and complete resort hotel has 1,668 rooms, including 150 one to eight bedroom parlors. All rooms are soundproof with a number of amenities including oversized beds, bathroom phones, air conditioning control, and impeccable room service. Two Olympic-size pools, tennis courts, health spa, three gourmet restaurants, fabulous Circus Maximus Showroom with the best entertainment attractions, and world famous casinos and elite shopping combine to create an unparalleled convention and entertainment experience.

"APRO '86 has a number of unique entertainment events included in the schedule," notes Janet Morrow, director of meetings and conventions. "Our Caesars Roman Toga Party on Saturday night offers attendees the opportunity to dress in Ancient Roman garb and pretend they're at a real Roman feast. We've got a lot of fun planned between the serious business of APRO '86."

The first reception presents an authentic south-of-the-border food buffet with entertainment provided by a Mexican mariachi band. A cash bar will be available. The second reception, presented by the Borg-Warner Acceptance Corporation, offers a roo-tin' tootin' Wild West theme for a Texas-sized party. Bring your boots, cowboy hat, and blue jeans for an action-packed evening in the old West.

Sporting events are an APRO convention tradition. This year bowling has been added to the popular tennis

and golf tournaments. Thursday, July 10 is tournament day. If tennis is your game, be on the courts at Caesars Palace at 7:30 a.m. Both a singles and a doubles division is scheduled. Registration is \$25 per person. The golf course at the Dunes Hotel is the site of the 8:30 a.m. tee off. Registration is \$65 per person. Bowling is scheduled for the lanes at the El Rancho Hotel. The pins begin to drop at 2:30 p.m. Registration is \$15 per person.

Also, two tours of local rent-to-own stores are scheduled for attendees to compare notes and get new ideas for their operations. Plenty of time has been built-in to the convention schedule to allow attendees to enjoy private time for their own tour of Las Vegas.

Attendees will need to go at a fast pace to help set the pace at APRO '86.

Down to Business

The first order of business on Friday, July 11 is the General Session. Here, APRO members have a chance to be updated on the latest news and events concerning the rental industry, as well as learn what APRO is doing to enhance the image of rent-to-own.

New this year is an open forum where members can discuss topics of vital concern to today's rental dealers. Topics come from a member survey and the talk is likely to be interesting and lively. Also at the General Session is the election of the 1986-87 APRO Board of Directors.

The first day of seminars is also on Friday. Afternoon sessions are on this day only. Twenty thought-provoking seminar topics are scheduled and seminars are repeated for attendees' convenience. Seminar topics are as follows: a two-part seminar, "Financing Alternatives—Positive Packaging Gets the Money," and "Choosing the Lender That's Right for You;" "New Product Ideas for Rent-To-Own;" "Exploring New Markets for Rent-To-Own;" "Developing Policies and Procedures for Rental Store Personnel;" "How Retailers View Rent-To-Own;" "How to Plan and Manage a Successful Wage and Salary Program;" "Franchising Rent-To-Own;" "Property Recovery;" "The Rental Agreement;" "Should I Join a Buying Group?" "Explaining APRO's Learning Power System;" "Introducing the Learning Power Video Library;" "Tax Planning for Rent-To-

Own;" "Controlling Internal Theft;" "Everything You Wanted to Know About Insurance;" "Product Sales Strategies for Rent-To-Own;" "Going on Computer—Doing it Right the First Time;" "Furniture Rental—Making it Work for Rent-To-Own;" and "In Search of Excellence/One Minute Manager." See your convention brochure or APRO '86 *Show Guide* for a detailed explanation of the scope of each seminar.

In addition to Friday afternoon, seminars are scheduled for the morn-

ing of Saturday, July 12 and Sunday, July 13. There are no competing events scheduled during seminar times or exhibit hall hours.

The exhibit hall opening ceremony kicks off the trade show portion of the convention at 1 p.m. Over fifteen hours of exhibit time on three days gives dealers the opportunity to push buttons, turn knobs, compare features, and test services of companies that are keenly interested in supplying rent-to-own. Dealers will find audio and video hardware, appliances of



Palace Court Restaurant, Caesars Palace.



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(Complete system including hardware, software and training)
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all kinds, furniture groupings, computer software, video software, and management service products all under one roof.

"It's an exciting mix of companies this year," states Janet Morrow. "Many of our long-term supporters are returning and many newer suppliers to rent-to-own have also signed up. Caesars Colosseum exhibit complex will have over sixty exhibiting firms representing over 130 booths for a truly wide-ranging show."

The total figure for exhibiting firms and booths is expected to increase by the time of the convention. The trade show portion of APRO '86 is the perfect way to gather a variety of useful information, visit with your current suppliers, and meet potential suppliers.

Post-convention Programs

The learning doesn't stop after the five days of APRO '86 are over. APRO

is presenting two of its most popular seminars as a special post-convention addendum.

Rozanne Flatt, APRO board member and developer of *Learning Power*, will once again conduct her highly informative and innovative program, "Training Rental Store Employees—How to Get and Keep Good Store Personnel." Flatt's presentation includes methods for training the new employee for optimum performance results and for retraining the veteran employee for improved productivity. The four-day seminar runs Monday, July 14 to Thursday, July 17. Registration is in addition to the convention program. Member registration is \$450, for nonmembers the fee is \$600.

The second post-convention seminar is "Buying Advertising—What Works for Rent-To-Own." David Garrett, vice-president of Biggers, Patterson, and Garrett advertising agency, knows the ins and outs of effective advertising and image building for rent-to-own. This two-day seminar runs Monday, July 14 to Tuesday, July

15. Registration is in addition to the convention program. Member registration is \$300, for nonmembers the fee is \$400.

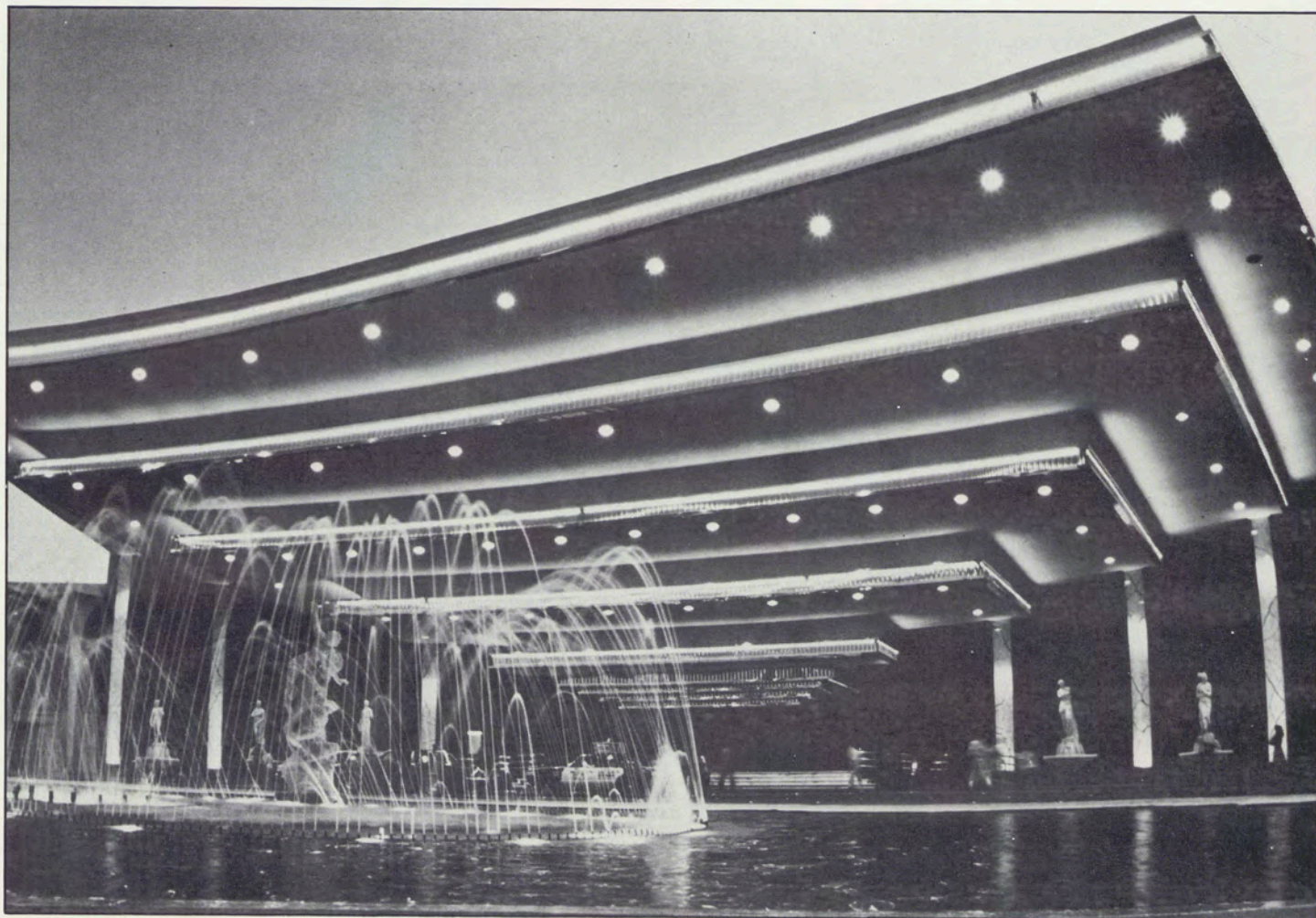
Setting the Pace

Las Vegas is an exciting city and the APRO '86 convention and trade show will be an exciting reflection of the bright lights of the town.

For the sixth year, rent-to-own dealers will meet to seek new opportunities in rental, to solve common problems, to learn to keep the competitive edge and spend time with experts who supply products and services to the rent-to-own industry. The only missing part will be you if you or your company does not attend.

Registration opportunities are still available. Call the APRO office at (512)478-6521 for complete registration details. APRO '86: *Setting The Pace* is designed with you in mind—don't miss it!

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Choosing Computer Alternatives

It is easy to buy a computer. The hard part is making a rational decision on what type of computer system to buy and how your business should use it. Numerous articles written by vendors, educators, computer scientists, and even rental dealers outline the advantages of one system and hardware configuration over another. Yet after reading each article, the rental dealer usually is no closer to a decision on what he should do than he was before reading the article.

Most tutorial articles describe functions and features of software, benefits of automation, and cost performance evaluations assuming that a rental dealer is going to plunge into automation and invest thousands of dollars in computer systems that he may or may not need. There are alternatives open to rental dealers and some guidelines to follow in making a rational decision.

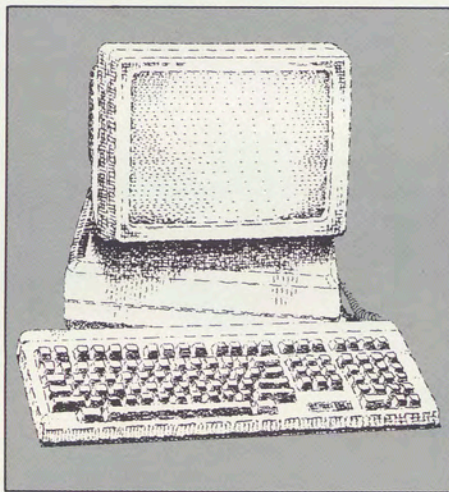
Turnkey Systems

These systems are specially designed for our industry and promise complete control of in-store operations. At a minimum, these systems promise inventory control, payment processing, automatic posting of customer records, payment history, and basic customer and contract information.

Some more sophisticated systems offer rental agreement preparation, receipt writing, automated customer solicitation, home office systems with electronic tie-in to the stores, and other features. These systems are advantageous in that they typically are designed by firms who have either worked closely with rental dealers in designing the systems or are in fact rental dealers themselves.

These systems offer a great many features for a relatively low price, and

are ideal for the multistore dealer who is having trouble keeping up with the multiplicity of problems a multilocation environment presents. However, the established dealer will find that at best, the prewritten software will satisfy about 80 percent of his needs as he perceives them, and formats of reports will generally be different than what he is accustomed to.



IT IS EASY TO BUY A COMPUTER. THE HARD PART IS MAKING A RATIONAL DECISION ON WHAT TYPE OF COMPUTER SYSTEM TO BUY AND HOW YOUR BUSINESS SHOULD USE IT.

The dealer is then faced with the problem of either adjusting his thinking, or paying the vendor a significant sum of money to modify the software so that it more closely resembles his manual system. Vendors may be reluctant to do this since it requires them to maintain different

systems in the marketplace.

Another consideration is that the dealer is usually totally dependent upon the vendor for software support and upgrades to the system. This alternative is a good one if the dealer has an idea of what functions he wants, has few sacred reporting formats, and has someone in his orga-

DEPENDING UPON THE SIZE OF YOUR ORGANIZATION, SMALL PERSONAL COMPUTERS COSTING AS LITTLE AS \$1500 CAN BE UTILIZED.

nization who can properly evaluate the systems offered. Cost of these systems range from about \$8,000 and up depending upon the system and hardware options selected.

Custom-designed Systems

Probably the most expensive alternative you can consider, the risk in both time and money of this system is undesirable unless you have expertise in data processing systems and a large number of stores to outfit with software.

Generally, these systems are not a good alternative for the small- to medium-sized dealer. Most dealers do not have the time to laboriously spell out in detail the functions desired in a system. Yet to not do so almost guarantees an expensive disaster. Be prepared to spend a great deal of time and money on a systems study. If you don't perform the study, you will pay even greater amounts later. Typically, software firms charge from \$40 to \$100 per hour for this service. Figure

at least 40 hours for even a cursory study. And the real expense is just beginning.

can take years, and can cost hundreds of thousands of dollars.

data for preparation by the outside party can enter the data on this equipment.

A COMPREHENSIVE CUSTOM-DESIGNED SYSTEM WILL TAKE MONTHS TO WRITE AND TEST. AT PROGRAMMING RATES OF \$35 TO \$75 PER HOUR, THE BILL WILL ADD UP QUICKLY.

A comprehensive custom-designed system will take months to write and test. At programming rates of \$35 to \$75 per hour, the bill will add up quickly. As the work proceeds, you will most certainly discover some areas that were omitted from the initial system study. Incorporating these new thoughts into your system can really boost the bill since rework of previously completed programming is involved. The process of design, programming, and implementation

Generic Systems

For small- to medium-sized dealers who are unfamiliar with computers, this may be an attractive alternative. For a minimal investment, you can purchase a computer and generic, limited-purpose software and begin to learn something about what a computer can do for you. While not a comprehensive solution like some already mentioned, it can solve a few information processing problems and familiarize you and your staff with general computer concepts without risking large sums of money.

A typical application of this system could be a computerized list of inventory items possibly broken down by store and category including date purchased, cost, and accumulated depreciation. If your general ledger, payroll, or other financial applications are being performed by an outside party, a minimal personal computer system can be utilized at the same or lower cost. The same personnel who are now readying the

IF YOU CAN COMBAT YOUR INITIAL FEAR OF BREAKING THE COMPUTER OR DOING SOMETHING WRONG, YOU WILL FIND IT A VALUABLE ASSET IN THE OPERATION OF YOUR BUSINESS.

Depending upon the size of your organization, small personal computers costing as little as \$1500 can be utilized. Data base or spreadsheet software costing less than \$500 can be purchased and can be used to store or manipulate data pretty much as you wish. Getting into computers this way allows you to continue to discover applications beneficial to your operation as you go. Once the initial computerphobia is overcome, the search for a more comprehensive computer system, if desired, is much less painful.

Since the investment you make under this alternative is relatively small, the decision of which one to buy becomes somewhat easier. Purchase a name brand or compatible computer that has some expansion capabilities and sufficient generic software available for it. Be sure that adequate service and parts are available from more than one source to further reduce your risk.

Finally, if you select a generic system and find it unsuitable for your needs, you will be able to use the system for word processing, games, personal finance, or some other non-business function.

The most important thing to remember is that any computer system is nothing more than a tool. It can be expected to perform for you as specified, but the amount of effort and creativity you as a user put into it is directly reflected in the results obtained. If you can combat your initial fear of breaking the computer or doing something wrong, you will find it a valuable asset in the operation of your business. **PR**

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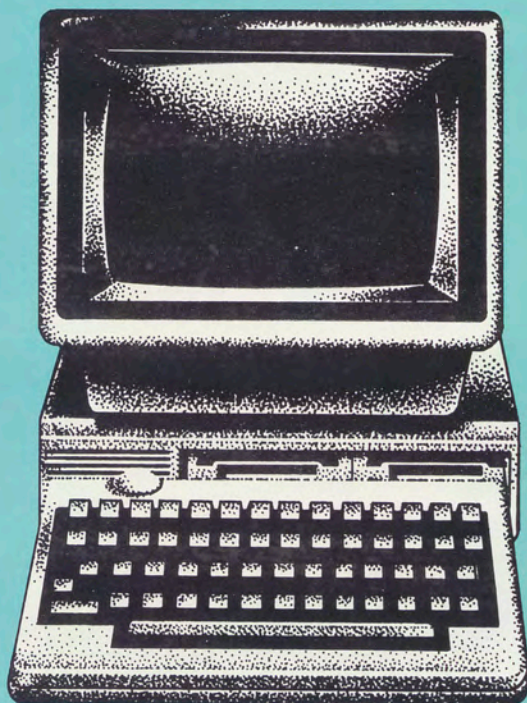
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Ted Wilson is vice-president of finance for Alrenco, based in New Albany, Indiana.

Who's Who in Computers

Searching for the right hardware and software for your company can be a bit intimidating. Friendly and knowledgeable salespeople are a must both for the computer novice and for the computer literate. The following is a list of computer hardware/software sales and service companies that work with rent-to-own.



Amcom Data Processing
464 McCormick St.
San Leandro, CA 94877
(415) 638-1212
Rental
Management System
software

Axiom
1014 Griswold Ave.
San Fernando, CA 91340
(818) 365-9521
Computer printers

Bonafide Management Systems
6925 Canby
Suite 110
Reseda, CA 91335
(818) 996-9191
Movie management
system

CASS Systems
17000 Dallas Pky.
Suite 126
Dallas, TX 75248
(214) 931-5522
Software for rent-to-own/
movie rentals

CLM Software
1607 Main St.
Suite 404
Dallas, TX 75201
(800) 441-0097
Rentpro software, Radio
Shack hardware

Capital Business Service
P.O. Box 2088
Napa, CA 94558
(707) 252-9122
Software for rent-to-own/
movie rentals

Commodore Business Machines
1200 Wilson Dr.
Westchester, PA 19380
(215) 431-9100
Computers, peripherals

Computer Dataware
7345 E. Acoma
Suite 104
Scottsdale, AZ 85260
(602) 998-3163
Movie management
system

Computer Diversified Services
7277 Regency Square
Suite 113
Houston, TX 77036
(713) 783-0542
Software for
personnel training

Computer Logistics
1000 Howard Ave.
Suite 101
New Orleans, LA 70113
(504) 522-7266
Alpha, Micro, Northstar,
hardware, software

Computer Specialties
P.O. Box 1718
Melbourne, FL 32902-1718
(305) 725-6574
Hardware, software
accessories

Computermax
2033 N. Ocoee St.
Cleveland, TN 37311
(615) 476-9148
Home office and remote
rental package

Custom Computer Systems
117 S. Oak
Hammond, LA 70401
(504) 542-9010
Software for rent-to-own/
hardware

Data Operating Systems
4722 N.W. Second Ave.
Boca Raton, FL 33431
(305) 523-4403
Fujitsu computers,
peripherals

Dynatech Computer Power
4744 Scotts Valley Dr.
Scotts Valley, CA 95066
(408) 438-5760
Surge/line protectors

Ergo Systems
303-3 Convention Way
Redwood City, CA 94063
(415) 363-5966
Printers, paper

First National Computer Corp.
4843 Keller Springs Rd.
Dallas, TX 75248
(214) 380-8700
IBM, Apple, COMPAQ
computer rental

High Touch
1900 N. Amidon
Suite 200
Wichita, KS 67203
(316) 832-1611
Hardware/software/service
support for rent-to-own

Innovative Concepts
P.O. Box 32899
San Jose, CA 95152
(800) 538-7015
Computer care products,
accessories

Interactive Software
P.O. Box 8810
Stockton, CA 95208
(209) 948-9500
(209) 948-9457
Software for rent-to-own

International Mfg. & Mkt.
466 Lowell St.
Methuen, MA 01844
(617) 794-8693
Standby power systems

Kaypro
533 Stevens Ave.
Solana Beach, CA 92075
(619) 481-4300
Microcomputers

MS Computers
P.O. Box 397
Jonesboro, AR 72403-0397
(501) 933-0411
Appliance rental
management

M.V. Software
651 N. Rochester Rd.
Clawson, MI 48017
(313) 583-4114
Hardware/software for
video rental

Micro Enhancement
1620 First Ave.
Cheney, WA 99004
(509) 235-2718
Movie management
system

Microfast Software
419 Occidental Ave. S.
Suite 500
Seattle, WA 98104
(206) 628-3760
(206) 628-8812
Movie management
system

Microspec
P.O. Box 863085
Plano, TX 75086
(214) 881-0030
Movie management
system

Mysoft
601 University Ave.
Suite 150
Sacramento, CA 95825
(916) 973-8085
Movie management
system

Okidata
532 Fellowship Rd.
Mt. Laurel, NJ 08054
(609) 235-2600
Okimate 10, peripherals

Olympia U. S. A.
Rt. 22, P.O. Box 22
Somerville, NJ 08876
(201) 722-7000
Microcomputers,
peripherals

Panamax
150 Mitchell Blvd.
San Rafael, CA 94903
(415) 499-3900
Surge/line protectors

Quisim Systems
633 Battery St.
Suite 250
San Francisco, CA 94111
(415) 982-4622
Software for rent-to-own

R.E.N.T.S. Software
1600 W. 12th
Sioux Falls, SD 57104
(605) 338-1800
Software for rent-to-own

RMK Data Management
5800 E. Thomas Rd.
Suite 234
Scottsdale, AZ 85251
(602) 941-1723
STAR Dealer software,
hardware

RegiStar
2621 W. Laguna Azul
Mesa, AZ 85202
(602) 820-1365
Movie management
system

Rental & Sales Software Systems
4707 Everhart
Suite 102
Corpus Christi, TX 78411
(512) 851-8709
RSSS software, TI
hardware

Rental Information Systems
P.O. Box 459
Magnolia, AR 71753
(501) 234-2471
Software for rent-to-own

Rental Referral Service
P.O. Box 29315
Dallas, TX 75229
(214) 263-0766
Applicant referral system

Retail Technologies
Pier 9, The Embarcadero
San Francisco, CA 94111
(415) 433-7944
Video rental management

S. A. Levitz Retail Systems
9725-C Scranton Rd.
San Diego, CA 92121
(800) 854-2263
Turnkey systems for rental

Silver-Reed America
19600 S. Vermont Ave.
Torrance, CA 90502
(213) 516-7008
Printers

Solutions By Computer
121 Lyman St.
Springfield, MA 01103
(413) 737-0499
Office software

Star Micronics
200 Park Ave.
Suite 3510
New York, NY 10166
(212) 986-6770
Printers

Systems Management
3135 Windjammer Dr.
Colorado Springs, CO
80918
(303) 594-6314
Software/hardware for
IBM, or IBM compatible
machines

Timeplace
460 Totten Pond Rd.
Waltham, MA 02154
(617) 890-4636
On-line database services

Total Information Systems
4201 N. 24th St.
Suite 150
Phoenix, AZ 85016
(602) 955-4017
Retail Control System
software

Trinity Solutions
5406 Thornwood Dr.
San Jose, CA 95123
(408) 365-1588
Movie management
system

Unique Business Systems Corp.
1234 6th St.
Suite 101
Santa Monica, CA 90401
(213) 458-2165
Software for movie, rent-
to-own, equipment/party
rental

VSM Computer Systems
6069 Enterprise Dr.
Placerville, CA 95667
(916) 622-4640
Movie management
system

Winchester Data Products
14237 129th Ave.
Edmonton, Alberta
Canada T5L-4N9
(403) 451-4574
Movie management
system

Joining the Big Boys

An overview of the steps involved in going public.



Rent-A-Center is the first, and so far only, rental-purchase company to go public. Since going public in November 1983, Rent-A-Center's fortunes have continued to climb. See inset.

With the Dow-Jones industrial average breaking records, initial public offering fever is hitting many companies that wish to take advantage of the current investment climate. Therefore, it isn't surprising for companies in the rent-to-own industry to be considering the step of going public. But going public is an important development in the life of any company and should be given serious consideration before any decision is made to go forward with such an undertaking.

This article will explore the pros and cons of going public, including the mechanics of the process, the roles of the players—underwriters, lawyers, accountants, and company management—and the time and costs involved.

Why Go Public?

First, a company's management must ask itself, *Why* go public? Asking that question means seeking answers to these questions, too.

- Do we really need the capital?
- Should we explore other sources of capital, such as banks, venture capital firms, development bankers, and other private sources like local investors, friends, suppliers or customers?
- How urgently do we need the money?
- What do we propose to do with the money?
- Should we seek to raise funds while the stock market is hot, or wait until we improve our performance

and run the risk of a less favorable stock market?

- What are the advantages of going public?
- Going public is a means through which a company may obtain needed capital.
- It is a means of improving a company's net worth and thereby expanding its ability to borrow.
- It increases a company's ability to make acquisitions in exchange for its own securities.
- It represents a means of attracting and retaining officers and other personnel through offers of company stock and stock options.
- A company may gain prestige, become better known, improve business operations and acquire business opportunities.

- The owners of a company increase the liquidity of their own investment in the company.

- Management shares the risks of running the company with public investors.

In addition, since the stock market usually assigns a higher price/earnings multiple to the book value of a company than does the private market, the value of management's stockholdings will normally be much higher following a public offering. This results in the founders' or senior managements' net worth increasing substantially. Lastly, and certainly not to be minimized, is the ego satisfaction that comes from the association with and running of a public company.

On the other hand, there are disadvantages to going public.

- Going public entails the legal obligation to disclose sensitive information, both in the registration statement and prospectus covering the offering of securities.

- It means continuing reporting obligations following the offering. Management will, in effect, be operating in a fish bowl.

- Salaries, fringe benefits, and other compensation must be publicly disclosed, and, as a practical matter, there may have to be limitations on compensation and fringe benefits given management.

SINCE THE COMPANY'S STOCK MAY BE PURCHASED BY ANYONE, MANAGEMENT MAY ALSO INCUR THE THREAT OF POTENTIAL LOSS OF CONTROL THROUGH TENDER OFFERS AND SIMILAR ACQUISITIONS.

- Transactions that may amount to sweetheart deals between management and the company also must be publicly disclosed. Business opportunities that may arise from time to time may first have to be offered to and rejected by the company before management, as individuals, are able to take advantage of those opportunities.

- The potential impact of certain business decisions on the stock market price, such as declaration of divi-

dends, may affect decision making.

- Additional expenses, such as legal and accounting fees, will have to be incurred.

- Additional executive time will have to be allocated to reviewing registration statements and reports.

Since the company's stock may be purchased by anyone, management may also incur the threat of potential loss of control through tender offers and similar acquisitions. The positive aspects of the higher price/earnings multiple may be offset by the impact on estate tax considerations. Public stockholders also raise the specter of lawsuits based upon claims of false or inadequate disclosure of information or corporate misconduct.

Analysis of these concerns should be made by management in consultation with financial, legal, accounting, or other advisors.

Even if the decision to go public is affirmative, however, the company may not be qualified to do so. Here, the investment banker/underwriter enters the scene.

Eligibility

Management must understand that *going public is not for everyone*. To be blunt, some companies simply are not eligible candidates for a public offering. Start-up or new companies may not always tap the public capital markets. Many underwriters require an earnings record or operating history to qualify and a company's management may not have a track record in other businesses that would provide this information.

Accordingly, a company considering a public offering should examine its eligibility and discuss the prospect with an investment banker. Eligibility for public financing may be discussed with not only Wall Street investment bankers, but regional investment firms, of which there are many of top quality. If a company does not have direct access to such a firm, experienced securities lawyers and accountants can assist in establishing contact.

In examining the company for potential underwriting, an investment banking firm will examine the adequacy of present and projected working capital and cash flow positions; the experience, integrity and quality of management; the growth potential of the business; and the company's relative competitive position in the

industry. In reviewing the sales, earnings, and projections of a company, the investment banker may tolerate ups and downs in a company's history, but it is vital to have credibility with these firms and a company must be especially candid about projections. Earnings are usually more important than sales to an investment banker because the stock price usually will reflect earnings, not revenues, although in the rent-to-own industry this may not be the case.

The investment banker will also look at the overall financial environment of the so-called "window of opportunity." In advising the company on whether it qualifies to go public, he

continued on page 33

Rent-A-Center Is Public

Rent-A-Center is the first, and so far only, rental-purchase company to go public. In November 1983, the company began trading its stock over the counter by having an initial offering of 1,425,000 shares.

This offering sold out in a matter of days at \$14.50 per share. The sale netted approximately \$7.5 million for the company and over \$10.7 million for the then company owners, Frank Barton, Tom Devlin, Tony Heatherly, and Gene Heggstad, according to *The Approach* (September 1984). Devlin told *The Approach* that it cost the company over \$1 million to go public. Printing costs alone were \$300,000.

Since going public, Rent-A-Center's fortunes have continued to climb. The company announced a three for two stock split effective March 14, 1986, and then announced that net earnings on second quarter revenues were up 62.9 percent over the same period last year. Between 1983 to 1984, net earnings went from \$3.7 million to \$7.3 million.

The number of company owned stores and franchises have continued to climb, too, since going public. The company now owns 192 stores, with franchises operating a total of 59 stores.

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T A L S

Cleaning Refrigerators

Refrigerators depart the rental store both shipshape and sparkling, but they return splattered and scarred.

Like any other rental item, the refrigerator receives its share of customer abuse. When the unit is returned, store personnel inevitably are left with the tasks of cleanup and repair. Yet, dealers have ways to prepare refrigerators so that they can be rented again.

What's Wrong?

"Our refrigerators come back with insects living in them, food stains on the interiors, and broken shelf guards and butter doors," says Benny Johnson, general manager of five Companion TV Rentals in Florida.

Others concur. Steve Kruse, vice-president of operations for Crown Leasing based in Texarkana, Texas, says, "The smell on returned refrigerators is a real problem, as is the general appearance of the unit. Plastic parts break off, door seals come loose, and we also have trouble with bugs."

Dealers lament that refrigerators always come back dirty, both inside and out, and with parts missing, doors scratched and dinged, and with the ever-present family of insects. The situation is pervasive, with dealers noting that refrigerators have a keep rate of anywhere from 25 to 40 percent.

For as big a problem as it is, one solution costs just a few quarters and is probably just down the street from many dealers.

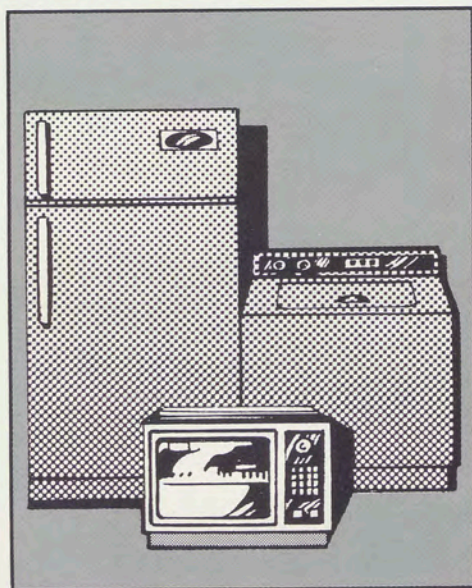
Spray and Wash

"The first thing we do is take a hose to it," says Kruse. "Very often our drivers will stop at the car wash and wash the refrigerator before bringing it back to the store."

More than one dealer utilizes the car wash method by spraying the refrigerator with both the soap and rinse cycles. Dealers point out this is step one for a truly dirty appliance, and it is particularly effective on dirty coils and interior

stains. Other cleaning details include the following points:

- Use the high-pressure spray to remove heavy grime.
- Next use a mild detergent or bottled spray cleaner and a soft rag or sponge to clean the interior.
- Never use a detergent stronger than one used on dishes.



TEXTURED DOORS ON NEWER MODELS MAKE EXTERIOR CLEANING EASIER. THE SURFACE DOESN'T SMUDGE LIKE SMOOTH SURFACES DO.

- For stains on the exterior, a spray cleaner and rag should work. If not, lighter fluid works well on tougher jobs.
- For small touch-up jobs on the exterior finish, use an appliance paint.
- Never use highly-abrasive cleaners or steel wool scrubbing pads on any surface of a refrigerator.
- Textured doors on newer models make exterior cleaning easier. The surface doesn't smudge like smooth surfaces do.

Once the dirt and grime is off and the

stains removed, it's time to tackle the unwanted tenants that are living in the coils and other surface areas of the unit. It may be necessary to completely remove a unit's freezer lining to destroy pesky insects.

"We have an outside company come in twice a month to fumigate the used refrigerators for roaches," says Dave Hamilton, manager of a F.A.S.T. Rentals location in Austin, Texas. "We will never put a previously rented unit next to a new one in the store. If any insects remain in the old unit, they may infest the new one, too."

Since insects can infest both the inside and outside surfaces of the appliance, other dealers store rental return refrigerators in a separate room. The room is sealed and an insect bomb is detonated to kill the bugs.

Keeping Your Cool

Customers can assist in the maintenance of their rented refrigerators by following simple guidelines. Instructions at the time of delivery can help in lowering the incidence of ill-kept units.

- Occasionally completely clean out the refrigerator.
- Keep baking soda or dry fabric softener sheets in the refrigerator and freezer compartments.
- Occasionally clean door gaskets with a mild detergent and damp cloth to keep the gaskets clean and pliable.
- If it has them, keep the coils on the back free of dust. This also will help the unit operate more efficiently.

A little customer education can go a long way in keeping rented items fresh and functioning like new. On an upbeat note, dealers report that very few refrigerators are returned in such poor condition that they can never be rented again.

Although store staffers may have to bear the drudgery of cleaning and repairing used units, frustration can be avoided by utilizing safe detergents and stocking spare parts for the most frequent repair problems.

And, don't forget about the car wash!

PR

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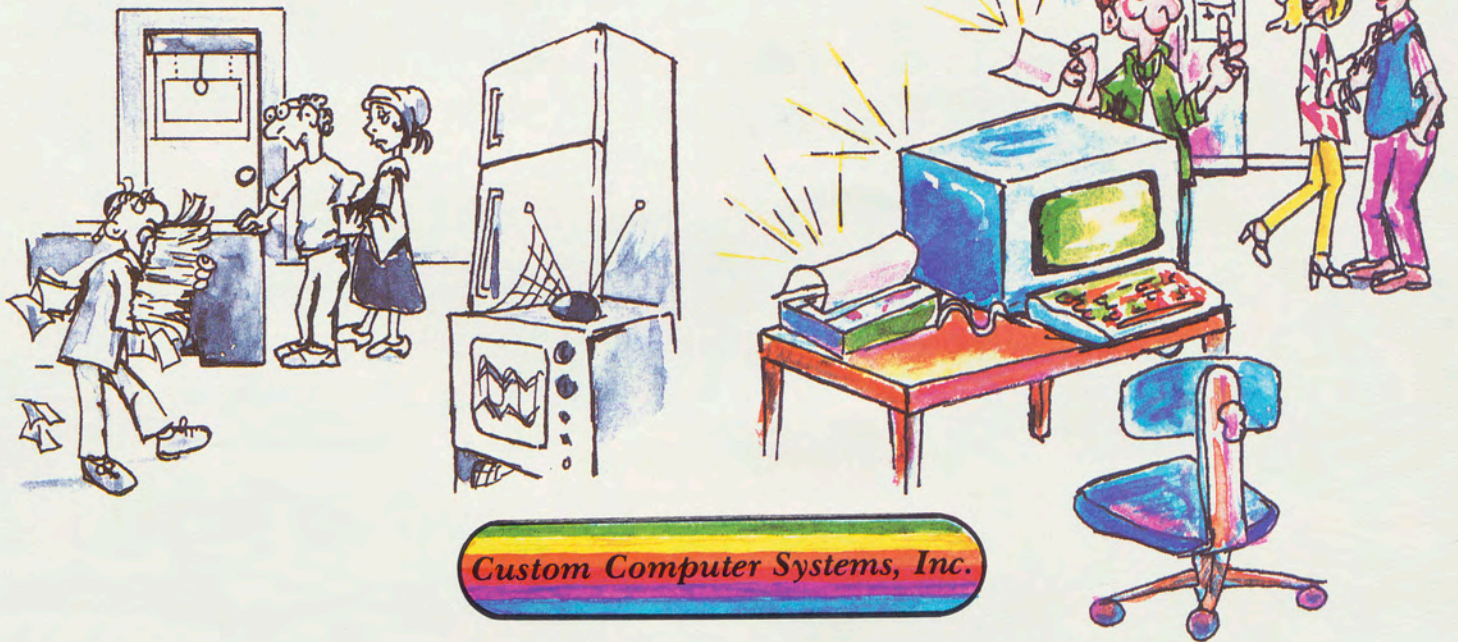
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JOINING THE BIG BOYS

continued from page 27

also will advise on the timing. For example, he may recommend a delay in an offering if there has been a dip in the sales or profits that should be corrected, or if there is a nonrecurring problem on the horizon that will pass.

Evaluating the Banker

While the investment banker is evaluating the company, the company should be evaluating the investment banker by reviewing the underwriter's experience with the company's industry or related industries.

The company should include in its review the aftermarket performance of stocks underwritten by the banker and its performance as a market maker in such stocks. The company should also review the prior record of the underwriter in forming syndicates, although this ability is becoming less important because of a recent trend toward institutional placements of stock. The company should review the other investment banking services provided by the underwriter following an offering. The company can and should utilize its other professional advisors in consulting, dealing with, and evaluating the prospective underwriter.

Some companies believe they can sell stock to the public without an investment banker. This view may be shortsighted. A company that believes it can sell stock to employees, suppliers, customers, business contacts, and friends and relatives of management may find that the amount of money thought to be available suddenly diminishes when the time comes to dig into pockets and pay cold cash.

There is a greater assurance of raising the money through utilization of an investment banker. Moreover, the investment banker possesses greater expertise in such matters as the offering price, concentration, and distribution of stock ownership. As a rule, it usually is advantageous for the company to utilize the services of an investment banker.

Going Forward

Once the underwriter has determined that he wishes to handle the

public offering, he will help to structure the offering. He gives advice as to the number and class of securities to be offered (common stock, packages, or units or securities which include common stock, warrants, debentures, etc.). He also helps the company decide on how much money is to be raised, and how much voting control is to be retained by insiders.

In arriving at a price range for the offering, the underwriter will look at price/earnings multiples of comparable companies or companies in similar businesses, will make book value ratio comparisons, will consider the company's size, position and visibility in the industry, and will consider its growth record.

MANAGEMENT SHOULD
BE AWARE THAT THE
HIGHEST PRICE POSSIBLE IS
NOT ALWAYS THE BEST
PRICE FOR AN OFFERING.

Management should be aware that the highest price possible is not always the best price for an offering. As a practical matter in order to induce purchases of stock, there may have to be a small gap between the actual offering price and the highest possible price so that some purchasers of the public offering may be able to sell shortly after the offering at a small profit. This is a fact of life.

When the company and the underwriter have agreed on the basic structure of the offering, the underwriter will submit a letter of intent to be signed by the company. This document, which can run seven or more pages, outlines the proposed terms of the offering, including, size and number of shares; the proposed stock price; the underwriting compensation, including the approximate underwriter's discount; and other compensation. The cost category includes the items of stock purchase warrants; the allocation of identified expenses; identification of the lawyers for the company and underwriter; the anticipated offering date; and the nature of the proposed distribution (will it be national and broad in scope or regional and with sales primarily to individuals or to some institutions?). The letter of intent also may address the underwriter's intention to make a market in the stock after the offering.

The difference between the price at which the underwriter buys the stock from the company and the price at which it sells to the public is based on the risks involved. The greater the risk, the larger the spread or discount. Since expenses usually are fixed, the percentage spread usually will be higher for smaller offerings. If the spread or discount is conservative, the underwriter usually will seek other compensation, such as options or warrants.

The letter of intent frequently includes a lockup agreement prohibiting future sales by the company or other insiders for a specified time following the offering. The purpose is to avoid a depressing effect such market overhang may have on the stock sold to the public by the underwriter.

On the other hand, the underwriter may insist on inclusion of some insiders' shares in the offering in order to increase the total number of shares. This increases the amount of compensation to be realized by the underwriter and makes his participation worthwhile, as well as serving to increase the number of shares to be traded by the public. This, then, affects the liquidity of the market following the offering. Of course, the insiders may want to sell some shares in the offering and cash in on their original investment in the company.

The company may be surprised to learn that the letter of intent will state that it is not binding on the underwriter and that it merely represents an agreement to agree in the future. However, unless there occurs a severe adverse development in the company or in the stock market, the offering will usually go forward. A formal underwriting agreement with the underwriter will be executed just prior to the closing of the offering. The company's securities lawyer definitely should review and advise on the letter of intent.

Legal Aspects

For the offering to go forward, it must comply with legal requirements. Stock may not be sold to the public without a registration statement in effect with the U.S. Securities and Exchange Commission.

The preparation of a registration statement is accomplished with the advice and assistance of securities lawyers, accountants, and the under-

writer's counsel. It is a time-consuming and expensive process. Approximately six months of effort usually is involved from the time the decision is made to go public until the time the company gets its funds. Companies considering going public should be under no illusion that the process can be accomplished overnight. Total expenses for an initial public offering of several million dollars or more probably will range from \$175,000 to \$350,000 exclusive of the 7 percent to 10 percent underwriter's discount or commission. Of these amounts, between \$50,000 and \$125,000 will represent legal fees, with \$75,000 to \$100,000 being typical.

The balance will include accounting fees, which vary depending upon the complexity of the business, whether or not the financial statements have been audited, and whether independent accountants have been involved in the development of the financial and other information to be included.

Not to be overlooked are printing expenses (the registration statement and prospectus, and stock certificates); the SEC nonrefundable filing fee; individual state "blue sky" fees which are the amounts charged by individual states where stock is available (blue sky refers to any state regulation of securities); the NASD filing fee; transfer agent and registrar fees; the underwriter expense allowance (which is negotiable); and other incidental expenses. All of these expenses usually are allocable to and paid out of the proceeds of the public offering- if the offering closes.

Form S-1 is the registration statement most frequently used for initial public offerings. The SEC's regulations provide for specific items of disclosure in the registration statement and it should be noted that the process of preparation of the registration statement is far from a simple fill-in-the-blanks operation.

First, the company's legal advisors should assist the company in preparing a timetable that includes reorganizing the company, revising certain arrangements, amending important documents, and preparing the registration statement. The timetable should include a list of tasks and designated people to perform the tasks.

For a company that has been operating for several years, there may have to be a reorganization of the company before the registration statement is filed. Affiliates may have to be

merged into the company or liquidated. Exchange offers between the company and affiliates or affiliated partnerships may have to be accomplished and capital contributions may have to be completed.

APPROXIMATELY SIX MONTHS OF EFFORT USUALLY IS INVOLVED FROM THE TIME THE DECISION IS MADE TO GO PUBLIC UNTIL THE TIME THE COMPANY GETS ITS FUNDS.

A recapitalization of the company usually will be required. This may be accomplished through stock splits combined with an increase in authorized capital under amended articles of incorporation. Restrictions which may impede public distribution of the company's stock, such as preemptive rights or rights of first refusal on transfer, may have to be eliminated. Also stockholdings of insiders may have to be rearranged and agreements among shareholders may have to be drawn, revised, or cancelled. State law blue sky limitations on insiders' "cheap stock" will have to be considered, too.

There are many other changes that may be necessary. Employment agreements involving management either will be entered into, revised, or eliminated. Stock option plans may be adopted and stock options arranged. Certain real estate may have to be transferred and/or leases revised. Sweetheart deals between management, which may own real estate leased to the company, may have to be revised or eliminated. Financing arrangements, such as loan agreements, may have to be revised.

The corporate charter and bylaws may have to be rewritten and even the name of the company may have to be changed. New stock certificates will have to be prepared and a transfer agent and a registrar will have to be engaged. Because the company will be publicly owned, it may wish to adopt an anti-takeover charter, and bylaw and employment arrangements, such as staggered election of directors, and super majority voting provisions.

This prefilings corporate work nor-

mally will consume approximately two to three months. All of this will necessarily involve the company's professional advisors, who will work closely with management.

In preparing the registration statement, the company's securities lawyer will help prepare the nonfinancial parts. The attorney will be dependent upon management for information to be included in the registration statement and prospectus and, therefore, management's cooperation in this process is vitally important.

Questionnaires will be sent to officers, directors, and 10 percent of the stockholders asking for information concerning stockholdings, remuneration (direct and indirect), and interests in material transactions involving the company. The company's securities lawyer will interview, and sometimes seemingly cross-examine, the company's officers. From these interviews the lawyer will prepare memoranda concerning the history of the company's business and operations. From these memoranda, the prospectus and the balance of the registration statement will be prepared.

The attorney will look to officers and management of the company for detailed information on all aspects of operating the company. Independent consultants will be retained to prepare and report on the financial statements to be included in the registration statement and to review unaudited interim financial statements. Where the accountants have previously audited and reported on financials for the client, the process will be simpler than where the accountants are new. However, the underwriter may insist that the accountants be experienced in SEC matters.

The lawyers and management will have to work in close coordination with the accountants to avoid misunderstandings as to the structure of transactions or characterizations or effects of an event, to understand the full financial implications of important matters, and to avoid inconsistencies between the text in the registration statement and the financial statements.

As to the registration statement itself, at the beginning it will emphasize adverse factors, including disclosure of risk factors. For example, any pending adverse state legislation that would recharacterize rental agreements as installment purchase transactions is an example of a risk factor. Other adverse factors might include a

WHICH ONE?

CASS TYPE I

I want my home office to monitor all my stores.

I don't want any computers at my stores because my manual system is good and causing no problems. I would, however, like to track inventory, BOR, late and collections and accomplish inventory depreciation at my home office. I will have all paper work forwarded to my home office for processing.

The above requirement can be met with the CASS HOME OFFICE MANAGER™ which costs \$9,000.00

CASS TYPE II

I have one or more stores and want a system at each.

I would like the store system to control my inventory, agreements, produce payment receipts, produce store reports concerning cash, collections, BOR, and inventory activity.

The above requirement can be met by the CASS STORE MANAGER™ which costs \$4,000.00

(Multiple store discounts available as well as unlimited use contracts.)

CASS TYPE III

I want my stores' computers to transmit to my corporate office.

I want to have a minimum amount of corporate personnel and still know everything about my stores. I do not want to have corporate personnel inputting what has already been captured by the store computer. I want my corporate computer to produce inventory and store activity reports each morning that tell me how I am doing.

The above requirement can be met with the CASS ELECTRONIC CORPORATE OFFICE SYSTEM™ which costs \$2,500.00

CASS TYPE IV

I would like to have a video/movie rental system.

I want it to calculate rent charges, produce invoices and store receipts.

The above requirement can be met with the CASS VIDEO MANAGER™ for only \$900.00 per store

(Multiple store discounts and unlimited use contracts are available.)

CASS TYPE V

I would like to produce profit and loss statements for each store.

I want to know how each store is doing financially and how my corporation is doing financially.

The above requirement can be met by the CASS GENERAL LEDGER™ for only \$1,200.00

I want systems that will grow with me.

CASS systems have the capacity to handle thousands of agreements and inventory. The hardware (which can be obtained from CASS) can be expanded easily to meet increased business demands as they occur.

CASS

I want training, follow-on support and a vendor who will stay in business.

The vendor should know the rent-to-own business and the business of computers, software and helping users.

CASS Systems, Inc., has been in business for eight years. We design, develop and install computer software systems, and provide support to customers in the banking, retail and merchandise rental industries. The years of computer and information systems experience of our personnel range from 12 years to 27 years. For a demonstration or more information call or write:

CASS SYSTEMS, INC.

Park Place, Suite 126
17000 Dallas Parkway
Dallas, Texas 75248
(214) 931-5522

relatively brief business history, adverse business experience, operating losses, dependence upon particular suppliers, dependence upon key personnel, lack of a market for the security being offered, lowbook value for the stock compared to the offering price, and others.

Management, which is accustomed to salesmanship, may be startled to see such negativism, but management must understand that the registration statement is more in the nature of an insurance policy against liability than a selling document.

The second part of the registration statement contains information that is not included in the prospectus given to potential purchasers and purchasers of the securities. This includes information concerning recent sales of unregistered securities (which will include sales of securities, usually, to insiders and, for example, venture capital investors); supplemental financial schedules; a list of and copies of exhibits (including the company's articles of incorporation, bylaws, important agreements such as certain loans, indemnification provisions under the articles, state law, or insurance policies); and an undertaking regarding indemnification for lia-

bility under the prospectus. While this information is not given to prospective purchasers or actual purchasers of the company's securities, this information is available to the public for inspection and copying at the SEC's headquarters in Washington, D.C.

On top of all this, the company must include additional information necessary to make the statements made in the prospectus clear and not misleading.

The draft of the registration statement will be delivered to the company's financial printer, who will return proof pages for review and revision by officers, directors, company counsel and underwriter's counsel. The registration statement will then be printed in final form, signature pages will be signed by the company's directors, and the registration statement will be filed with the SEC. A filing fee of 0.02 percent of the gross amount of the proposed offering is paid to the SEC upon filing.

A preliminary blue sky survey or memorandum will be distributed, usually by underwriter's counsel, when the registration statement is filed with SEC. This survey will show the states in which the underwriter will want to sell the stock, and will set

forth filing requirements in those states. In addition to the filing fee paid to the SEC, filing fees are also required in the particular states. An offering in all fifty states could total over \$15,000 for an offering in excess of \$20 million dollars. States vary in their filing requirements.

Since much of the information called for under state registration is common to all states, applications often may be copied with a few variables filled in. In dealing with this patchwork regulatory quilt, blue sky clearance must be carefully coordinated to obtain clearance in a synchronized fashion so that sales may be made simultaneously in all states immediately upon SEC clearance. All states try to grant simultaneous registration.

Companies should be aware that there are still some states, called "merit review" states, which require offerings to be "fair, just and equitable." While a deregulation movement relative to "merit review" has been growing, companies should be aware that they still have to meet some stringent requirement in order to sell stock in particular states.

SEC Review and Comments

While securities may be offered to the public by the underwriters after the filing of the initial registration statement, no securities may be sold until the registration statement is declared effective by the SEC. The registration statement is declared effective only after review and comment by the SEC staff.

The SEC staff, in particular the branch in the Division of Corporation Finance to which the registration statement is assigned, will review the registration statement and will issue a comment letter. Usually this is within thirty days after filing. The letter will raise questions concerning disclosure in the registration and may suggest changes. During the comment period, the SEC staff is available by telephone contact to discuss comments of deficiencies.

The SEC comment letter will be reviewed by the company's and underwriter's counsel, who will then assist in the preparation of the first amendment to the registration statement. This first amendment will be filed

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Saving on Filing Fees

Companies should be aware that there are exemptions from full SEC registration that may result in lower costs and less time to the company. Utilization of these exemptions should be explored by smaller companies or companies seeking to raise relatively smaller amounts of capital.

The exemptions include the following:

- *Regulation A offerings.* Up to \$1.5 million may be raised through the preparation of an offering statement on a Form 1-A. The offering statement, which requires less detailed information than does a full registration statement, is filed with the appropriate SEC Regional Office, along with a \$100 filing fee. The SEC staff comments on the preliminary offering circular, just as it does with respect to a full registration statement. These offerings are underwritten by smaller investment banking firms.

- *Intrastate or Rule 147 offerings,* where stock is sold only to individuals residing in the state where the issuer is doing business. Doing business means the company is incorporated and has its principal office where it derives at least 80 percent of its revenues, has 80 percent of its assets, and in which it will use 80 percent of the offering proceeds.

- *SEC Form S-18.* Public offerings of up to \$7.5 million also may be made on SEC Form S-18 which requires less stringent audited financial information than does the full SEC Form S-1 registration statement.

Companies that want to raise more money than the above indicated amounts or that may not qualify for the exemptions from full registration will be required to file a full registration statement on Form S-1.

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No mistake about it. Rental financing demands professionals who really understand how the business works.

We do. We know that responsive financing programs serve a rental dealer's needs best. And we know how to help the rental dealer grow progressively and profitably.

But that's what you expect from the

professionals at BWAC. We've been providing innovative financial services to business for 30 years now — ranging from traditional inventory financing, or floor planning, to commercial leasing, insurance services, floor check programs and much more.

And our network of branch offices in the United States enables us to serve your market on a timely basis.

And we're specialists, too. The BWAC Rental Finance pro who works with you works exclusively

in rental finance. You won't need to teach him — or her — the business.

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Success in Alabama

Rental dealers in Alabama have scored a success recently with the passage of rental-purchase legislation that distinguishes their rent-to-own business from retail installment sellers. Senators Earl Goodwin and John Teague were particularly helpful by supporting the industry's position in the legislature.

The bill as introduced in the state senate passed through that body with little resistance, but it was not until the closing hours of the session that the bill finally cleared the state house of representatives.

The new Alabama statute becomes effective on September 1, 1986. Dealers in the state will have all summer to revise rental agreements to bring them into compliance with the new act.

Alabama is now the fifth state to enact legislation specifically aimed at the rental-purchase industry, after Michigan, South Carolina, Georgia, and Texas. Of the five statutes, Alabama is the most favorable from the rental dealers' point of view, since it is the least restrictive. It is still a balanced and fair bill designed to give rental customers important information about the nature and costs of a rental-purchase transaction.

The new act requires dealers to make six disclosures in their rental agreements: whether the property is new or used; the amount and timing of rental payments; an explanation of any other charges; the total number of payments and the total amount to be paid to acquire ownership of the property; a "no equity" statement; and an explanation of liability in the event of loss of or damage to the property. The act also provides a model form that dealers may use for compliance with the act.

The act mandates a reinstatement period similar to the reinstatement period enacted by the other states. A reinstatement period allows the customer to fall behind in making payments, come into the store to get caught up, and not lose credit for payments previously made on the

rental agreement. The Alabama statute gives monthly customers five days and weekly customers two days to make their late payments. If the customer returns the property to the dealer within the "grace period," then the customer has thirty days to make good on all back payments and other charges due. The statute limits a customer's use of the reinstatement period to no more than three times during any one rental agreement.

If a rental dealer in Alabama advertises prices, then he must also make two disclosures in the advertisement: that the transaction is a rental-purchase transaction; and a disclosure of the total number of payments and the total cost to obtain ownership. The dealer must make the same disclosures if he advertises rental-purchase of one particular item in an ad.

If a dealer violates the new statute, there are statutory damages allowed from \$100 to \$1000 per violation. A customer can recover attorneys fees if he sues a dealer and wins, but only up to 15 percent of the actual damages awarded. The limit on attorneys fees should effectively prevent the private bar from harassing rental dealers in the state, which a few of them have begun to do in other states.

Finally, in order to clarify exactly what a rental-purchase agreement is under state law, the statute goes into the state retail installment sales act and amends the definition of "credit sale" by adding the following sentence: a rental-purchase agreement that complies with the definition of rental-purchase agreements is not a credit sale.

Dealers in Alabama have cause for celebration at getting their new statute enacted. They now have a safe haven in their state in which to do business. They will have to treat their customers with the care and respect that they deserve or they will get sued for collection abuses, but they are free from worry over consumer advocates attacking the basis of the business.

Copies of this statute and all other bills and opinions mentioned in this column are available to APRO members upon request from Ed Winn III, Kammerman, Overstreet & Hurren,

1020 MBank Plaza, Austin, TX 78701, (512) 474-6436.

THE DEALER IN QUESTION HAD BEEN CHARGING A FLAT \$100 PURCHASE OPTION BUY-OUT, AND LATER AMENDED HIS PRACTICES TO 15 PERCENT OF THE CASH SELLING PRICE OF EACH ITEM. THE JUDGE IN HIS RULING HELD THAT NEITHER AMOUNT WAS MORE THAN NOMINAL CONSIDERATION.

Setback in Pennsylvania

A Pennsylvania rental dealer has been handed at least a temporary setback from a recent ruling handed down by a trial judge in Northampton County. The lawsuit, which has been filed for several months, is an attempt by legal aid attorneys in the state to recharacterize rental-purchase agreements as credit sales under that state's retail installment sales act.

The Pennsylvania state legislature amended the definition in 1982 in an effort to regulate rental-purchase agreements as credit sales in the state. The amendment passed without any hearings ever being held on the bill, and was quietly made law before any dealers knew of the existence of the bill.

The chief feature of the amended bill removes the requirement of debt from the definition of credit sale. Under this definition, it does not matter whether a customer obligates himself to pay for the merchandise or not. If he has the possibility of paying for the property by making rental payments for a period of time, and thereby become the owner of the property, the transaction is a credit sale under state law. Rental-purchase agreements in use in most states would qualify as

credit sales under this definition.

As soon as Pennsylvania dealers learned of the new law in 1982, they added "balloon" payment requirements to their rental agreements in an effort not to be covered by the same rules and regulations as retailers. As rental dealers understand only too well, the rules developed for retailers simply do not work in the rental business. For example, under the Pennsylvania act, retailers must give defaulting customers twenty-one days from receipt of notice sent via certified mail before repossessing property. The cost of complying with this part of the act for rental dealers with several hundred weekly accounts would be prohibitive.

The issue that has existed for rental dealers in Pennsylvania since 1982 is how big must the balloon payment be. No one has been sure and this particular lawsuit was brought by legal aid lawyers to argue that the balloon payments currently being charged are not large enough to escape coverage of the state's installment sales law.

The dealer in question had been charging a flat \$100 purchase option buy-out, and later amended his practices to 15 percent of the cash selling price of each item. The judge in his ruling held that neither amount was more than nominal consideration under the circumstances, and ruled that the agreements were, indeed, disguised credit sales.

PENNSYLVANIA DEALERS MAY WANT TO CONFER WITH THEIR LOCAL COUNSEL FOR AN ASSESSMENT OF THE LIKELY IMPACT OF THIS CASE ON THEIR CURRENT CONTRACTS.

The judge's ruling was not entirely clear on what he considered nominal consideration to be. In one instance, he cited a Pennsylvania ruling dealing with the Uniform Commercial Code as authority for the proposition that an option price must be 25 percent or more of the selling price in order to be greater than nominal. Elsewhere, he seemed to be following the majority rule that nominal consideration under such circumstances is the

fair market value of the product at the time of the exercise of the option.

The judge granted the plaintiff's motion for summary judgment on that issue and ordered that arguments on certification of the suit as a class action be held within thirty days.

As of this writing, it is expected that the rental dealer will appeal the ruling. In the meantime, Pennsylvania dealers may want to confer with their local counsel for an assessment of the likely impact of this case of their current contracts.

New York Moves Toward Controls

Governor Mario Cuomo has moved to regulate rental-purchase prices in New York State. As a part of the gov-

COMPANION BILLS HAVE BEEN INTRODUCED IN BOTH HOUSES THAT WOULD LIMIT RENTAL-PURCHASE DEALERS TO COLLECTING THE CASH PRICE PLUS 25 PERCENT FROM CUSTOMERS.

ernor's consumer protection plan sent to the state legislature, companion bills have been introduced in both houses that would limit rental-purchase dealers to collecting the cash price plus 25 percent from customers, no matter how long the rental agreement.

In information distributed to legislators, the governor's office asserted that rental dealers in the state are charging up to five times the market value of merchandise rented on rental-purchase plans. In part, the governor's office stated:

The Consumer Protection Board recently surveyed the cost of owning a \$400, 19" color TV from six local establishments offering rental-purchase agreements. A consumer renting a TV for between 12 and 24 months would own the appliance after payments of between \$613 and \$1613. Under this legislation the seller/lessor could charge no more than twenty-five percent above the cash price of the item, an amount equal to the State's usury limit.

The Consumer Protection Board neglected to document the many dif-

ferences between a sale and a rental, but then, the Board is apparently a lobbying arm of the governor's office, and as such, is not as concerned with objectivity as with getting bills on its legislative plate passed. It is ultimately the job of the industry to get its side of the story across to members of the legislature.

In an effort to accomplish that, interested rental dealers convened in New York City in mid-April to discuss political strategy and to raise money to fund the state lobbying effort. There have already been several meetings with representatives from the governor's office as well as the attorney general's office.

Many of the contract disclosure and advertising provisions of the bill appear to have been borrowed from the Texas statute. If the New York bill only went as far as the Texas statute, New York dealers would likely support it wholeheartedly. It is the additions, including the price control feature, that have caused so much concern to dealers in New York. Another section of the bill would require dealers to furnish a customer with a completed rental-purchase agreement for twenty-four hours for review before signing. And the bill also requires price tags on all rental merchandise on the showroom floor. These tags must contain the cash price of the merchandise, the amount and timing of a "typical" payment, and the total number of payments required for ownership.

IT IS THE ADDITIONS, INCLUDING THE PRICE CONTROL FEATURE, THAT HAVE CAUSED SO MUCH CONCERN TO DEALERS IN NEW YORK.

As of this writing it is simply too early to predict what kinds of compromises the industry will be able to get from the consumer advocates who introduced the bill. If the bill were to pass as introduced, and that is extremely unlikely, New York state would have the most rigorous price controls on rental-purchase contracts of any state in the country. **PR**

Edward L. Winn III is the general counsel of APRO and a frequent contributor to PROGRESSIVE RENTALS.

PRODUCT FOCUS

Samsung VCR Model #VT225T features a slim-line design, soft-touch controls, and the ease of front videocassette loading. The wireless remote is an 11-key design with 13 different functions.

The unit's one-touch recording provides instant use of this cable-compatible model. Additional features include a 2-week, 4-event timer and a 105-channel tuner.

Suggested retail price: \$549.95. For more information, contact: Richard Leister, Samsung Electronics America, 301 Mayhill Street, Saddle Brook, NJ 07662, (201)587-9600.

RCA introduces its new 20-inch diagonal, square picture with Model #FLR530R. This ColorTrak™ TV features digital command center remote control, on-screen time and channel number display, and RCA's automatic picture control system.

The high-compliance audio system includes a stereo adapter jack. The unit's multi-band quartz crystal tuning system is combined with sharpness control and a super accufilter picture tube for picture clarity.

Suggested retail price: under \$500. For more information, contact: Frank McCann, RCA Consumer Electronics, 600 North Sherman Drive, Indianapolis, IN 46201, (317)267-6613.

Identicator Corporation announces an inkless fingerprint system, known as Touch Signature designed to help deter check kiting and theft of rental merchandise.

The simple system is used like a date stamp. When the device is pressed on the back of a check or on a rental contract, two different color ovals instantly appear. The customer presses his thumb or finger in one oval and then the other. A perfectly legible fingerprint appears without dirtying the customer, while unquestionably identifying him should a loss occur.

For more information, contact: Bob Loew, Identicator Corporation, 4051 Glencoe Avenue, Marina del Rey, CA 90292, (213) 305-8181.

Akai announces an all-black integrated audio rack system that allows components to be mixed and matched or purchased as a prepared rack system. One system, Model #PRO-A200WB,



SAMSUNG #VT225T

offers digital tuning and a belt-driven turntable.

The high-performance three-way speaker system is capable of 35 watts per channel. A 9-band graphic equalizer and dual cassette deck with soft-touch controls complete the system.

Suggested retail price: \$579.95. For more information, contact: Ken Emmer, Akai, 800 West Artesia Boulevard, Box 6010, Compton, CA 90224, (213) 537-3880.

Magnavox rounds out its audio rack line with Model #WF7433WA. The unit boasts 100 watts per channel and includes such features as a 10-band graphic equalizer, dual cassette deck, and a three-way 12-inch speaker system.

The system produces no more than 0.5 percent total harmonic distortion from 40 Hz to 20 kHz. The system measures 18 inches wide, by 40 inches high, and 15-3/4 inches deep.

Suggested retail price: \$699. For more information, contact: Deborah Fee, N.A.P. Consumer Electronics, Interstate 40 and Straw Plains Pike, Box 6950, Knoxville, TN 37914, (615) 521-4316.

Sanyo introduces its Model System 660, a 100-watt per channel audio rack system. The system includes a 5-band graphic equalizer, dual transport cas-

sette deck, and a semi-automatic turntable.

The 12-inch three-way speakers are housed in a custom designed hickory audio cabinet with a tempered glass door.

Suggested retail price: \$649.95. For more information, contact: Michael Orlins, Sanyo, 1200 West Artesia Boulevard, Compton, CA 90220, (213) 537-5830.

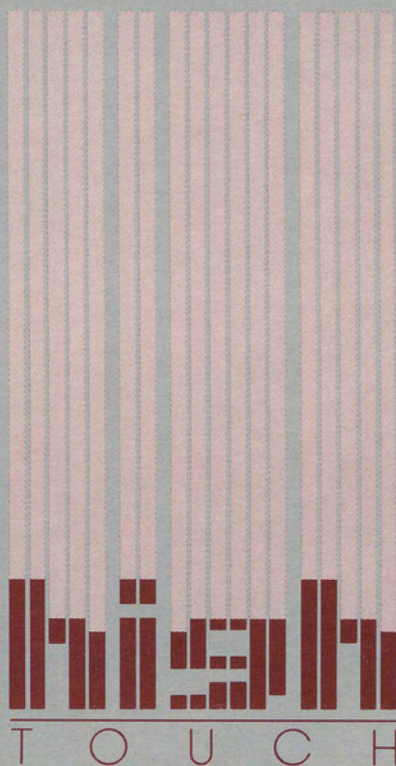
Hitachi introduces its microwave oven line to the U.S. market with seven models including Model #MR-8030. Dubbed "The Champ," this unit has a 1.3-cubic foot stainless steel interior and full-function touch control panel with 4-stage programming.

Other features include a 99 minute, 99 second timer; temperature probe; turntable and rotating antenna; six-step variable cooking power levels including auto defrost; and other extras.

Suggested retail price: \$439.95. For more information, contact: Bruce Schoenegge, Hitachi, 401 West Artesia Boulevard, Compton, CA 90220, (213) 537-8383. **PR**

Editor's Note: Suppliers should direct all release information to PROGRESSIVE RENTALS at 1866 InterFirst Tower, Austin, TX 78701.

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WE SET IT.

HIGH TECH

continued from page 16

- **Delivery.** Several dealers include this cost in the rental price, and will also pick up the system free of charge when the customer wishes to return it. One dealer charges \$25 for delivery of the first computer, and \$15 for each additional computer.

- **Installation.** All dealers surveyed provide installation, and it is included in the rental price. "I plug it in, make sure everything is functioning properly, and then get the cus-

tomor to the operating system," says Rent-A-Byte's spokesperson. "We also supply the disc operating system (DOS) software, which would cost the customer \$75 otherwise."

- **Service.** One customer benefit of rental is that the dealer provides all necessary service, as long as the computer is not abused. Dealers do not provide service if, for instance, the customer drops the unit or it is stolen. If the unit malfunctions and cannot be rapidly repaired (usually within two days) the system will be replaced. Servicepeople are factory-trained, and rental-purchase dealers

considering the computer rental market should note the crucial need for an experienced serviceperson — and the extra cost his training and hiring will entail.

- **Software.** Most dealers do not provide software for rental or sale because their customers probably already own it or will purchase it elsewhere. First National sells software, but as a service to its customers, and not as a major money-making item.

COMPUTING THE PITFALLS

Although the demand for rental computers is on the rise, it is not always an easy business. Start-up costs, increasing competition, frequent repairs, and customers' lack of computer knowledge are problems dealers must confront.

ALTHOUGH THE DEMAND FOR RENTAL COMPUTERS IS ON THE RISE, IT IS NOT ALWAYS AN EASY BUSINESS. START-UP COSTS, INCREASING COMPETITION, FREQUENT REPAIRS, AND CUSTOMERS' LACK OF COMPUTER KNOWLEDGE ARE PROBLEMS DEALERS MUST CONFRONT.

- **Start-up Costs.** Getting started in computer rentals is far more costly for the entrepreneur planning a storefront operation from the ground up. Store space must be obtained, employees hired and trained, inventory purchased, and a service department installed. Mike Sheriff estimates the investment in this type of operation will run between \$750,000 and \$1 million.

For the rental-purchase dealer already possessing store space, the initial investment can be significantly smaller. Points to consider include:

- purchasing the initial computer inventory
- integrating a display area for the computers into your current floor plan
- training current employees to demonstrate the computers or

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hiring knowledgeable new employees

- setting up a service department and training personnel
 - additional advertising costs
- you may wish to advertise in the newspaper's business section and in other publications where you do not normally advertise
- improved delivery vehicles
- computers are very sensitive machines and must be transported with extreme care
- possible provision of customer computer training

Increased Competition. In many major markets, where three years ago no computer rental outlets existed, there may now be fifteen or twenty.

Before investing in a computer inventory, it is imperative that market research be conducted to ensure that you do indeed have potential customers for this product. Keep in mind that customers coming to your store for computers will probably not be the same customers who rent refrigerators and televisions from you.

Frequent repairs. Although one computer rental dealer reports no breakdowns in the past six months, it can and will happen. Nothing will irritate a customer more than having his computer down for a long period of time, so if it cannot be repaired it must quickly be replaced.

"We assume all risk of obsolescence and breakdowns," says Rent-A-Byte's spokesperson, "and this is one of the rental customer's greatest advantages. Unfortunately, a lot of the current machinery is literally built with 'throw-away' technology. If a keyboard goes out, it often gets thrown away because it cannot be repaired — and keyboards cost \$300.

These machines are not low technology and therefore they break down often. Even if a component lasts for three years, you can be sure it won't be worth a thing when it comes back to you.

Lack of Customer Knowledge. Most customers, and especially commercial customers, would not be renting a computer unless they knew how to use it. However, dealers note that a few customers know little or nothing about the operation of a system. Some customers rent so they can see how a computer works before they purchase one, and in these cases it might be wise to have an employee available who can get the customer

started. An extra charge could be instituted for this service.

ASSESSING POTENTIAL

Despite the problems common to computer rentals, dealers renting them are optimistic about the future.

"We've been renting computers for three years," says Mike Sheriff, "and we've continued to grow. We've expanded from Dallas into Houston, and are now expanding into Denver. I've watched our competition grow as well, so there's definitely a market for computer rentals."

"I DON'T THINK THERE'S ANYWHERE TO GO BUT UP IN THIS BUSINESS"

"The large corporations definitely have a need for computer rentals," notes Gail Gibson. "For example, AT&T and Boeing are clients of mine. Yet it's also a great way for individual users to find out about computers. I don't think there's anywhere to go but up in this business."

Renting computers is unlike the renting of consumer electronics, appliances, and furniture in that the machinery is far more complex in many cases, and the customer base is different than the one renting basic household goods.

More than likely, rental-purchase dealers adding computers will encounter competition from those who specialize in the product. They will also be faced with new and more complicated service, delivery, and set-up procedures. But if the dealer has a market, a prime location in a business district or in an area with little competition, a competent staff, and a pinch of luck, another rental-purchase success story may just be in the making. **PR**

Have you made plans to renew your APRO membership?

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JOINING THE BIG BOYS

continued from page 36

with SEC, if possible within a week of receipt of the comment letter, together with a request for acceleration of the effectiveness of the registration statement.

There may be more than one, and frequently there are numerous, amendments to the registration statement until the SEC is satisfied with the level and quality of the disclosure and that its comments have been satisfactorily responded to. Note that the SEC does not vouch for the accuracy of disclosures contained in the registration statement or pass upon the merits of the investment, and any representation to the contrary constitutes a criminal offense.

It's Effective!

Just before the registration statement is declared effective by the SEC, the company will finally sign the underwriter's agreement fixing the price per security in the offering. If there is a syndicate, the agreement among underwriters also will be signed. A pricing amendment will be filed with the SEC and the registration will be declared effective. A final blue sky survey will be distributed by the underwriter's counsel indicating changes in the states where the securities will be sold. The underwriters will then start the actual selling.

Furthermore, officers, directors, and 10 percent of the shareholders will have to file stock ownership reports and reports disclosing purchases and sales or other changes in their stockholdings with the SEC on a regular basis.

In other words, the act of going public is only the beginning of the company's involvement with a pervasive scheme of government regulations. Nevertheless, thousands of companies and their managements have found access to the public capital markets to be so advantageous that they are willing to assume these additional legal obligations and costs in order to tap the capital markets and go public. **PR**

Richard S. Kraut is a partner in the Washington, D.C. law firm of Santarelli, Smith, Kraut & Carroccio and has participated in an APRO seminar on going public.

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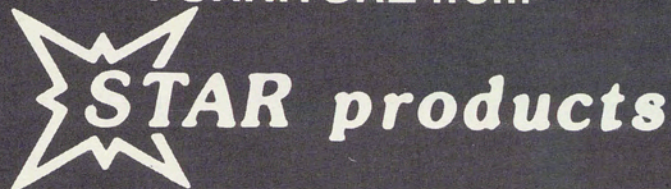
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Getting to Computer Heaven

Last year in this column, the guest editorial called computers for automating rent-to-own stores, "Today's Advance, Tomorrow's Standard." That is still the case, and while management is increasingly becoming convinced of this, employees' feelings and attitudes aren't always considered when a company decides to automate. Hence my topic, "Tonight's Headache: the Trials and Tribulations of Getting Employees from here (the old ways) to There (using computers.)"

The question that arises for anyone who has no experience with computers is, "How do I get to computer heaven?" In the beginning, the road leading from where you are now to computer literacy seems fraught with unknown pitfalls, and owners are never really sure if life will be easier once computers are installed and are running.

Rest assured it is. For store owners, the benefits have been well documented in terms of greater efficiency, better inventory control, decreased losses, and others. But what of the employees who have to make the new system work day in and day out?

As those who have been down the computer trail can tell you, your employees can make the journey relatively painless or they can indefinitely extend your stay in the twilight zone known as Transition. To stay too long in Transition leads to lost equipment, backed up accounting work,

THEM, YOUR EMPLOYEES MAY JUST WONDER WHY IT HAS TAKEN SO LONG TO AUTOMATE.

and an extremely long recovery period.

Your object then is to get your employees on the bandwagon for enthusiastic support of your computer transition. How to do that is really very simple: Explain the benefits. Employee computerphobia exists because the future is unknown to them. They don't know that the computer will check inventory for them. They don't know that the computer will fill out contracts for them. They don't realize that hundreds of reports will be printed automatically. By pointing out the many things the computer will do for them, your employees may just wonder why it has taken you so long to automate.

THE REASON THAT COMPUTERS ARE MAKING SUCH DEEP INROADS INTO THE RETAIL BUSINESS IS THAT BOTH OWNERS AND EMPLOYEES ARE BENEFITING FROM THE NEW TECHNOLOGY.

The initial fear for some employees is that they may lose their jobs. In my experience, employees who use the computer system become more valuable to the organization because of the skills they acquire. The computer, in effect, has upgraded their opportunities. The reason that computers are making such deep inroads into the retail business is that both owners and employees are benefiting from the new technology.

Two simple commandments, if followed by those who are contemplating computerizing their stores, will make for an easier transition and immediate benefit from this technology.

• **First Commandment:** *There shall be no surprises.*

With employees, this means keeping them informed. Employees must know that the decision to computerize has been made and why it has been made. It's a good idea at this time to solicit your employee's input into the features that the new computer system must have. A good tool for this is a *Changeover Calendar* that highlights the upcoming key dates. Key dates for planning include the time for the computer to arrive, when training will take place, and the date to go on-line in the store.

• **Second Commandment:** *Thou shall take training seriously.*

Many store owners view computer training as something their employees can do in their spare time. Now we all know that employees in your store have no spare time; therefore, training time must be treated like time in any school. Each employee must have specific hours to work on the computer. A program to test each employee's acquired knowledge is important, too. Both owners and employees need to realize that being well trained will benefit all concerned.

Doing a little up-front planning will more than pay for itself down the road to computer heaven. Part of going down that road is preparing the path for your employees. Once done, owners will have a smooth-running system that will provide the benefits they bought the computer for, and the employees will have mastered a modern business tool that will make their jobs easier. In fact, don't be surprised if your employees forget how to handwrite a contract after a few weeks on the computer!

PR

Stanley Sugimoto is vice-president of Unique Business Systems based in Santa Monica, California. The company offers computerized inventory control systems.

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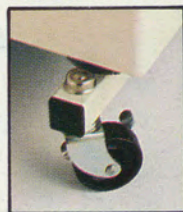
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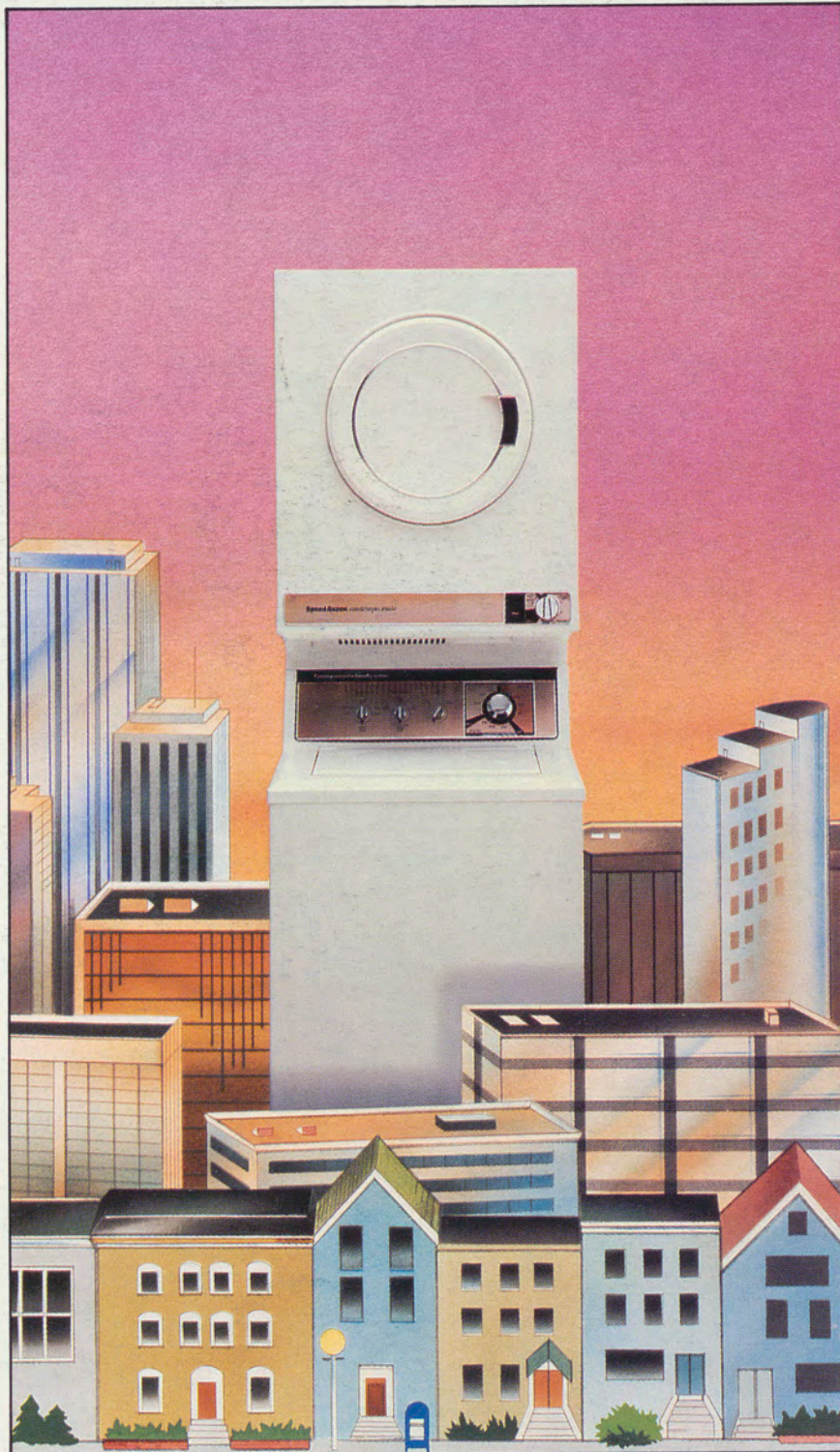
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