

■ JUNE 1989/JULY 1989

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

# Progressive Rentals

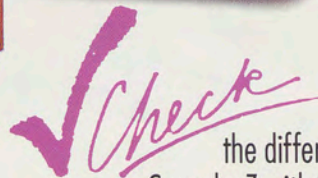
**Washington, D.C.**

**Rent-To-Own's  
Capital Event**

**THE FUTURE OF RTO**

WHEN YOU RENT,

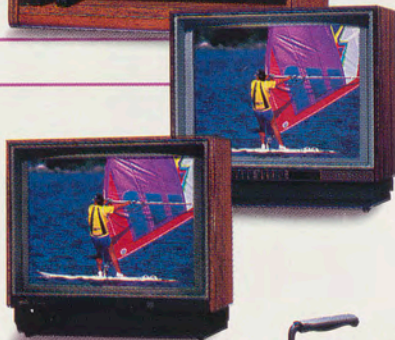
*Rent the Best*



the difference quality makes.  
See why Zenith is the quality choice  
for rental programs.



- Broad Selection*
- Up-to-the-Minute Styling*
- Latest Features*
- Top Performance*
- Strong Consumer Demand*
- Nationwide Availability and Service*
- National Advertising*
- Quality and Reliability*



To check further on Zenith  
Rental Programs, contact your Zenith Distributor, or  
write or call Mr. Norm Smith,  
**Zenith Electronics Corporation,**  
**1000 Milwaukee Avenue,**  
**Glenview, IL 60025.**  
**(312) 391-8231**



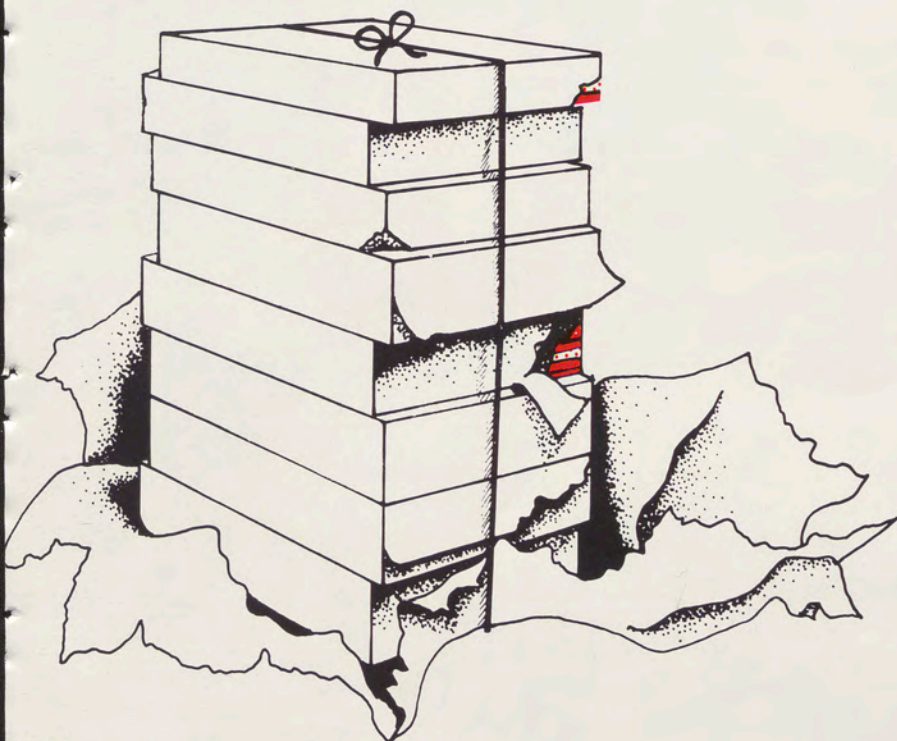
Visit Us in Booths  
403, 405, 407, 409, 411



**ZENITH**

THE QUALITY GOES IN  
BEFORE THE NAME GOES ON®

# Return your old RTO program and we'll send you ours for \$100.



## You save \$3,895.

And you'll receive the most innovative RTO program on today's market. We're the new kid on the block, but we've spent over seven years of researching the challenges of automating the rental industry. And our research tells us that r:tracs can be the most effective software program for your RTO business.

**Technically advanced.** r:tracs program offers state-of-the-art complete rental operations, advanced corporate operations, telecommunications, *database management*, trust maintenance, projections, business analysis, rental office manager, accounting, and word processing.

**System benefits.** Complete collection control, total inventory tracking, customer maintenance, multi-terminal system, immediate information retrieval, security features, depreciation reporting, agreement printing, and many other rental control options.

**No gimmicks.** We believe our program is superior and we want to show you what we can do for your RTO business. Don't miss this exceptional opportunity. Whether you are dissatisfied with your present program or are looking into an RTO system for the first time, you're eligible for our \$100 offer. Call today for our complete program.\*

\*Limit one per store owner. For a limited time only.

**r:tracs™**

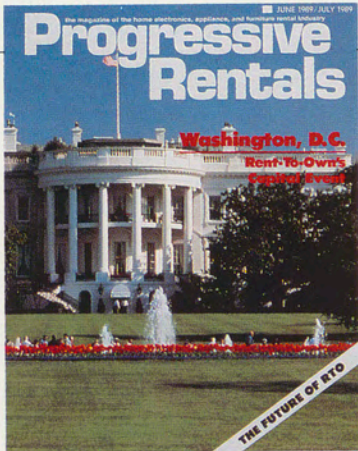
The technically excellent alternative.

**Visit Us  
in Booth 812**

208 W. Bagdad, Suite 7, Round Rock, Texas 78664 • 512/255-5284

**1-800-447-8722**

**APRO**  
Associate Member



ON THE COVER: Washington, D.C., the site of APRO's August 9-13 convention, offers all the color and decorum expected of the nation's capital city.

COVER PHOTO COURTESY OF: Washington, D.C. Convention and Visitors Association

PROGRESSIVE RENTALS (ISSN 8750-6106) is published bi-monthly by the Association of Progressive Rental Organizations (APRO) at 2028 E. Ben White Blvd. Suite 200, Austin, TX 78741, (512) 447-0333. Subscriptions: U.S. and Canada — 1 year (6 issues), \$30; 2 years (12 issues), \$50; 3 years (18 issues), \$65. Second class postage paid at Austin, Texas.

POSTMASTER: Send address changes to PROGRESSIVE RENTALS, 2028 E. Ben White Blvd. Suite 200, Austin, TX 78741.

## FEATURES

### 10 'Capitalize' on Washington, D.C.

The wide range of activities available during APRO's 1989 convention, combined with a first-rate agenda, make it a 'capital event.'

### 12 APRO Gets New Director

Bill Keese, a Houston native and former Texas state legislator, will lead the association into the 1990s as executive director.

### 19 Getting Results From Managers

For most rent-to-own organizations, the greatest barrier to growth is a lack of effective managers and talented people.

### 21 The Future of Rent-to-Own

A look at RTO's different aspects, from products to human resources, and an analysis of where the industry is headed.

### 22 Considering Bankruptcy

The Bankruptcy Code has a noble goal of providing a fresh start, but it comes with duties that the uninitiated may find unpromising.

### 26 More States Add RTO Statutes

Four more states have added rent-to-own statutes to their books, while other states that led the way are beginning to revisit the issue.



Page 10



Page 12



Page 20

## DEPARTMENTS

President's View .....	6
Message .....	8
Legal .....	17

# RCA



## If We're Number One With Customers Who Want To Own...

## We're Certainly Number One With Customers Who Want To Rent.

To be sure, we offer a "most wanted," eye-catching, full selection of TV's, VCR's, Camcorders and Audio Entertainment Products.

But, there's a lot more.

Like our world-wide reputation as a leader in technology and design. Our hassle-free follow-through and service.

Our speedy deliveries through a nationwide sales and distribution system.

Our competitive pricing programs and much, much more.

For more information write to:  
**Thomson Consumer Electronics**  
**Rental Marketing Department**  
**600 N. Sherman Drive**  
**Indianapolis, Indiana 46201**

### Color Monitor-Receivers

- Square-corner COTY picture tube with Hi-Con™ screen for a bigger viewing area and better picture quality than conventional conical tubes. (110° deflection angle means slimmer, sleeker profile.)
- Cable-compatible quartz tuning.
- Auto-start Auto Programming™ with automatic cable air switching electronically selects cable of off-air mode and locks in active channels.
- 12-jack stereo audio video monitor panel includes external speaker terminals.
- Dual-speaker MTS broadcast stereo sound system with built-in "dial" noise reduction and SAP (bilingual) capability.
- New Expanded Stereo audio processing enhances the perception of separation during stereo programming.
- Comb filter for enhanced picture resolution.
- Automatic ColorTrak picture control circuitry.

controls



**G26335TK**  
 Country-look styling in Traditional Oak finish on fiberboard and select hardwood solids. Simulated wood trim. Concealed casters. H-32 1/2", W-43 1/2", D-19 1/2". (Available Fall 1988)

### RCA 26" diagonal ColorTrak Console Stereo Monitor-Receivers

- One-button Picture Reset to return picture to your preferred settings.
- Built-in clock with Sleep Timer to turn set off automatically.
- Square-corner COTY picture tube with Hi-Con™ screen.
- Cable-compatible quartz tuning with Auto-start Auto Programming.
- 2-jack stereo audio video monitor panel for direct hook-up of a stereo VCR.
- Dual-speaker MTS broadcast stereo sound system with built-in "dial" noise reduction and SAP (bilingual) capability.
- Automatic ColorTrak picture control circuitry.



**G26269HP**  
 Traditional styling in Harvest Pecan finish on fiberboard and select hardwood solids. Concealed casters. H-31 1/2", W-40 1/2", D-20"

**G26265TK**  
 This 26" ColorTrak stereo console is designed to complement country decor. Traditional Oak finish on fiberboard and select hardwood solids. Concealed casters. H-34 1/2", W-40 1/2", D-19 1/2"



**G26261TK**  
 Contemporary-styled cabinet with Taverny Oak finish on genuine wood solids and fiberboard. Concealed casters. H-31 1/2", W-38 1/2", D-19"

### RCA 26" diagonal ColorTrak Console Color TVs

- For truly affordable performance in handsome console styling, these 26" RCA color TVs feature an all-electronic control system with on-screen prompts and displays for simple operation. Other deluxe features: 24-button digital remote control; cable-compatible quartz tuning with Auto-start Auto Programming™; square-corner COTY picture tube with Hi-Con™ screen; and automatic picture circuitry for consistent quality — program to program, channel to channel.



**G26139HP**  
 Handsome ColorTrak console in Traditional styling. Harvest Pecan finish on fiberboard and genuine wood solids, simulated wood trim. Concealed casters. H-31 1/2", W-36 1/2", D-19 1/2". (Available Fall 1988)

**G26135PN**  
 Here's classic Country American style. Pine finish on fiberboard and genuine wood solids. Concealed casters. H-31 1/2", W-36 1/2", D-19 1/2". (Available Fall 1988)

**G26131TN**  
 Clean-line Contemporary cabinetry with Taverny Oak finish on fiberboard and genuine wood solids.

### Color Television



### Cassette Recorders



NEW G26139HP...  
 NEW G26135PN...  
 NEW G26131TN...  
 NEW G26139HP...  
 NEW G26135PN...  
 NEW G26131TN...

## PRESIDENT'S VIEW

# Convention Setting Ideal to Prepare for 1990s

The 1989 convention in Washington, D.C. — August 9-13 — will truly be a "capital event" in this year of rapid change in the rent-to-own industry. I cannot overemphasize how different and important this convention is to you, your company and your industry. You will find a new zest as APRO moves this growing, fragile industry through treacherous waters — involving regulatory and legal issues, increased competition and changing financial support — into the 1990s to become a strong, recognized business.

New speakers, a far broader range of seminar subjects, more vendor booths, more booth hours, more opportunities to get together for information sharing — all this awaits you in a beautiful setting suitable for you and yours to rest and relax. But if you miss this one, you'll find you and your company will be at least one year behind in the changes occurring in our industry.

State organizations will have areas to gather together so you can catch up on the changes in your own state. There is no reason we can think of for you to rationalize why you would want to miss this convention.

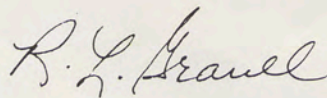
Your board of directors and the Vendor Relations Council put the things you wanted into one package that will be interesting for the one-store owner-operator and for the big guys with hundreds of stores.

We'll have seminars that are structured to satisfy the needs at whatever level you need — and on subjects that make a difference today and tomorrow. From a continuous exhibition of advertising so you can see what's working across the country to computer software seminars for our industry so you can compare yours or perhaps see if you want to computerize. You will find it all at this convention.

There will be booths in the registration area so you can get information on all the tours of buildings, monuments and even Mount Vernon. Dinner reservations will be a snap, too. All this is just four short blocks from the national zoo, home of those lovable pandas.

In short, it's the best rent-to-own convention combining diverse areas relevant to our industry. And, it's in the best possible location. If you have not gotten on that phone to members of the APRO staff (512-447-0333) by now, you just may have missed your chance to have a better year in the rent-to-own business and find the running start for the '90s that we all need.

See you in Washington!



**R.L. "Dick" Grauel**  
**APRO President**

---

Published By  
Association of Progressive  
Rental Organizations (APRO)

---

**Editor**

John Gormley  
**Executive Editor**  
Edward L. Winn III

---

**Contributors**

R. L. Grauel  
Wayne Outlaw  
Barbara Stooksberry  
David Timmons  
James D. Walker Jr.  
Edward L. Winn III

---

**Advertising Manager**

David Timmons

---

**Circulation Manager**

Shelley Martinek  
**Word Processing**  
Marybeth Gradziel

---

**Production Coordinator**

Vickie Kirkland  
**Mechanical Art**  
Susan Long

---

**Editorial and Advertising Offices**  
2028 E. Ben White Blvd. Suite 200  
Austin, Texas 78741  
(512) 447-0333

---

**APRO Officers & Directors**

**President**

R. L. "Dick" Grauel

**First Vice President**

Dave Egan

**Second Vice President**

Wayne Chambers

**Secretary**

Terry Washburn

**Treasurer**

Ted Wilson

**Past President**

Mac Hennigan

Alan Dobzinski

Mac McCullar

Wendell McNeal

Bill Morgenstern

Curtis Pearsey

Jerry Reppert

Roger Sharp

Larry Tinney

Bill White

---

**PROGRESSIVE RENTALS** (ISSN 8750-6106) is the official publication of the Association of Progressive Rental Organizations (APRO) and is published bimonthly at 2028 E. Ben White Blvd. Suite 200, Austin, TX 78741, (512) 447-0333. Copyright © by APRO, 1989. All rights reserved. Cover and contents may not be reproduced in whole or in part without prior written permission. **Subscriptions:** U.S. and Canada—1 year (6 issues), \$30; 2 years (12 issues), \$50; 3 years (18 issues), \$65. Back issues available at \$3 each. For subscription, change of address, back issues, write **PROGRESSIVE RENTALS**, 2028 E. Ben White Blvd. Suite 200, Austin, TX 78741. Three weeks required for changes on orders. Allow 6 to 8 weeks for the first subscription copy to be shipped.

---

**Progressive  
Rentals**

**OUTDATED METHODS COST YOU MONEY, DAY AFTER DAY AFTER DAY.**

# **HOW LONG WILL YOUR DATA ENTRY KEEP PACE WITH YOUR GROWTH?**



**Wichita**  
T O U C H

**WE MAKE THE RIGHT WAY THE EASY WAY.**

PROFESSIONALS PROVIDING COMPUTER-BASED AUTOMATION TO THE RENT-TO-OWN INDUSTRY.

1900 AMIDON / WICHITA, KANSAS 67203 / (800) 326-6059

## MESSAGE



### Camaraderie

We have just completed two successful rental retreat programs, one in Florida and one in Arizona. Rental dealers who were there, to a person, know that their time and money were well spent.

For those of you who were not there, you missed a thought-provoking inquiry into your business, and a good time.

It has been a while since we have had truly successful seminars. We have had to cancel more seminars in recent years than I care to remember. I know that when times are tough, outside training, often viewed more as an employee benefit than a true human resources service, is one of the first items cut from a budget.

We have also doubtless been at fault by not providing the right kinds of speakers, at the right places, at the right times of year, at the right prices.

We are continually trying to refine our seminar program. For example, several years ago in response to dealer criticisms that our rates were too high, we decided to have seminars operate on a break-even basis rather than as an association profit center. We hope that in the months to come, we can offer you the kinds of seminar programs that will entice you and your employees away from your stores and into our seminars.

There is something that happens at these kinds of programs, and it happened at these last two, which goes far beyond the program content. There is a sense of camaraderie that arises among dealers when they gather out of

the office to discuss the business and often that camaraderie rises to the level of true friendship.

Ours can be a very isolated existence, often limited to customers, employees, and suppliers. Few outside that immediate circle know much about what we do. In the legal world, I know from my own personal experience that outside of a handful of lawyers who do nothing but rent-to-own, no lawyer has even heard of the industry that I represent or anything of the legal issues and problems that I as a lawyer face when representing it.

The fact is that rental dealers almost universally love to talk about their business and particularly when there is meaningful give and take in such a conversation. That is exactly what happens in the seminar environment. To be sure, we have experts on the program who, in my opinion, present fact-filled and insightful sessions—lots of food for thought.

But in addition to the sessions, there is also time out of the classroom when the dealers get together on the golf course, on the beach, on a boat, in a bar, or in the lobby of a hotel and share how they feel about one of the most important things in the world to them—their business. Those encounters are what makes for memorable seminars and they happen every time rental dealers get together.

There is an energy that arises from such meetings, and I must assume that such heightened energy and awareness lasts for at least a few days after the dealers get home.

It may be hard, from time to time, for rental dealers to feel good about what they are doing. This is especially true if the industry is being bludgeoned in the local press and even more true if a dealer's particular stores are flat or declining. The day-to-day grind of this business wears on everyone.

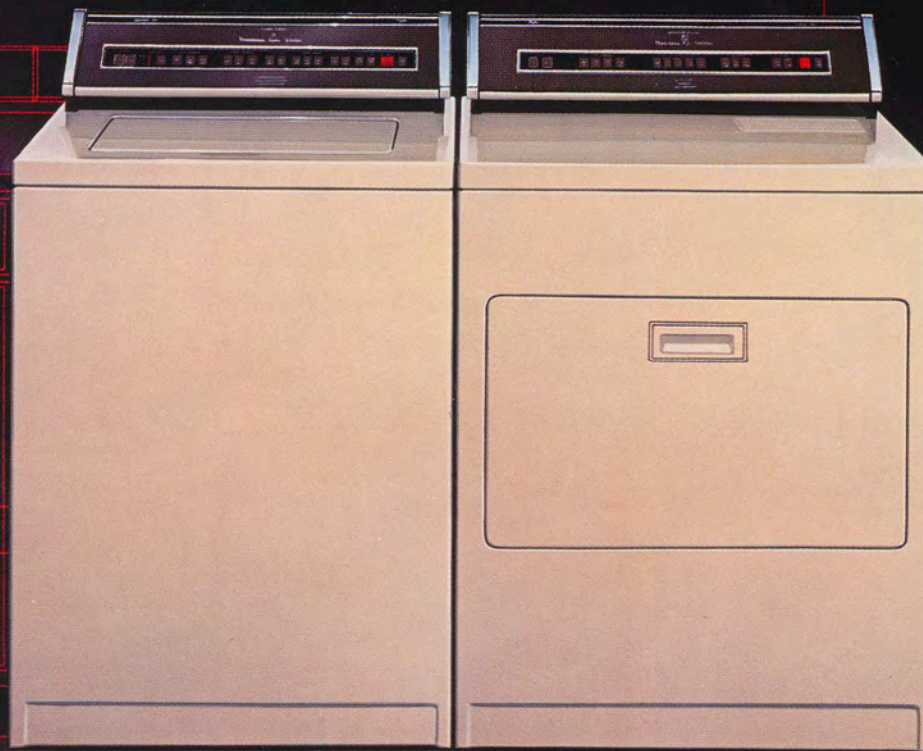
A sharing of the universal concerns of rental dealers, such as just occurred intensely in Fort Lauderdale and Phoenix, serves to uplift the spirits of dealers and, I cannot help but think, the overall self-image of the industry.

If you have never had the APRO seminar experience or the chance to interact with other people in your industry, then I think you are missing an important aspect of the business you have chosen. It is, of course, never too late. We will be in Washington, D.C., in force in August.

The APRO staff has renewed enthusiasm for the seminar program and will try to have several scheduled for the fall of 1989 and the spring of 1990. We will make every attempt to respond to your desires in terms of location, topics, timing, and to the extent possible, price.

Those of us who went to Florida or Arizona are better at what we do because of the experience. We all hope to see many of you the next time we meet.

EDWARD L. WINN III  
APRO General Counsel



©1989 Whirlpool Corporation.

# Why wait for washers that your customers will want to keep? Whirlpool has them today.

Before your customers buy a washer, they get to audition it. And if the washer doesn't perform, you lose. So it makes sense to carry Whirlpool® washers. Because they're built with the kind of quality that persuades renters to become owners.

**The features they need.** Our washers help your customers handle the most diverse fabrics. With a wide range of cycles. Numerous temperature settings. Adjustable water levels. And an innovative agitator that thoroughly cleans even the biggest loads.

We also designed our direct-drive washing system without belts or pulleys. And we cut serviceable parts by 20 percent. So there's less to go wrong. And that reliability has led to an impressive keep rate.

**The support you need.** We can answer your questions about our appliances 24 hours a day through

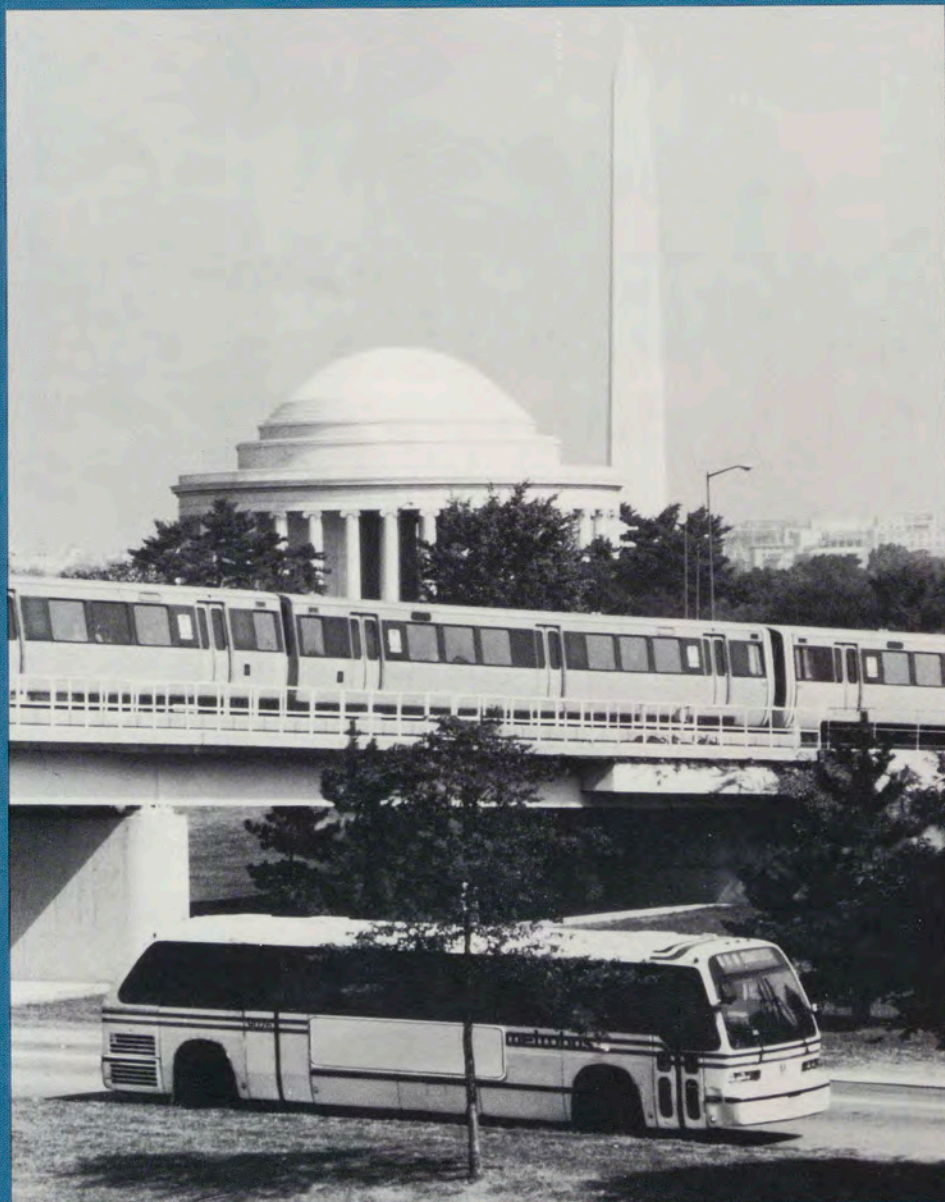
Cool-Line®, our nationwide telephone service. For repairs, we have over 5,000 factory-authorized Whirlpool service centers. And we offer your customers the same excellent programs after their contracts are paid off.

We also support you with TV and magazine ads that run all year long, selling your customers on Whirlpool before they ever walk in your door.

Now the day may come when all appliance companies offer you this much. But isn't it nice to know that Whirlpool does it today?

  
**Whirlpool**  
Home Appliances  
Quality you  
can count on...today.

## Visit Us in Booths 203, 205

*Convention Time Brings Opportunities***It's Prudent to 'Capitalize'  
On a Visit to Washington, D.C.**

*Photos courtesy of Washington, D.C. Convention and Visitors Association*

*Despite all its history, the nation's capital is also an ultra-modern city with advanced transportation systems ready to move commuters and visitors alike.*

Business meetings, parties, exhibits, sightseeing – you can have it all and more at APRO '89 – truly a “Capital Event.” There'll be plenty to do in our nation's exciting capital, and plenty of ways to “capitalize” on your visit there. Take a look at what's on the agenda.

Convention registration begins at 7:30 a.m., Wednesday and continues at 8 a.m. on Thursday, Friday, and Saturday, and at 8:30 a.m. on Sunday. Devotees of golf and tennis can start the convention off right on Wednesday with golf and tennis tournaments at Patuxent Greens Country Club in Laurel, MD. (You'll have to get up early – the bus rolls at 7:15.)

First-time convention attendees can get off to a good start with a brief orientation session Wednesday afternoon, and new rent-to-own owners can address their special concerns at a seminar designed for them at 3:15 Wednesday afternoon.

Greet old friends and meet some new ones at the Welcome to Washington Early Bird Cocktail Reception at the Sheraton that night.

Association business gets under way at the Thursday morning general session. There you'll elect eight new directors to replace those retiring from the board this year. Representatives of APRO's national lobbying firm will bring you up to date on legislative issues, and you'll hear reports on other Association activities. You'll want to take advantage of this opportunity to play an active role in Association and Industry affairs.

Two dozen seminars designed to suit the needs of every rent-to-own dealer will unfold over a three-day period. A quick study of the seminar schedule,

and you should be able to map out a schedule for yourself that answers your business's every need.

A significant part of any convention is the exhibit hall – this year is APRO's largest ever. You can visit booth after booth of goods and services that can make your life easier and your business more profitable. Exhibitors will treat you to a free hot dog lunch on Friday and Saturday and provide a continental breakfast on Sunday morning.

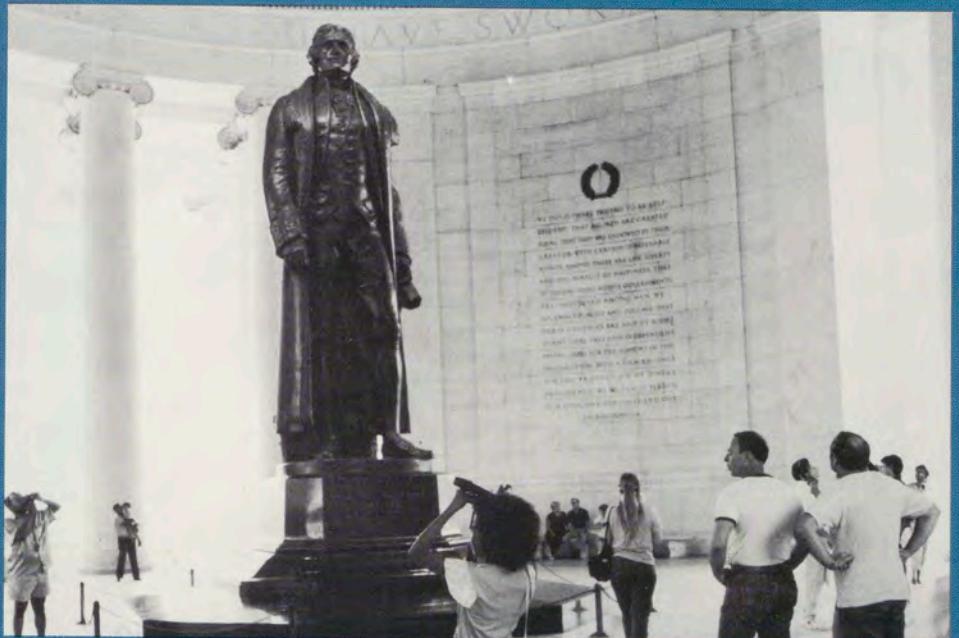
Exhibits will be open for a total of 17 1/2 hours – check Show Guide for exact times – so you'll have plenty of time to meet and talk to suppliers and potential suppliers and to see what's new in this state-of-the-art trade show. Prize drawings will be held at 4:00 on Friday and 3:30 on Saturday, with the grand prize drawing for two round-trip airline tickets to anywhere Delta Airlines flies to be held at noon on Sunday. You must be present to win!

After a day filled with seminars and exhibits, you'll be ready to wind down, and Thursday night is party time! Prom Night at APRO High will be your chance to bring out your party face and your party finery – whether new or vintage – and relive your high school days at the APRO party of the year. A band will provide music, and hors d'oeuvres of substantial variety will be served. You'll have Friday night free to find your own brand of fun in this city of a thousand possibilities, but it's party time again on Saturday at APRO's Black & White Awards Dinner and Dance.

You'll be right in style in black or white – or both, whether it's dress up or not. The annual President's Award will be presented during dinner, a keynote speaker will be on the agenda, and winners of the annual retail advertising contest will be recognized. Trophies will go to winners of this year's golf and tennis tournaments, and you'll meet your newly elected board members. (Additional tickets for food functions are available for purchase at the APRO registration desk.)

There's something special for spouses, too. The spouse program includes a day of shopping at the newly renovated Union Station and a visit to nearby Mt. Vernon and the suburb of Alexandria.

If you or your family want to strike out on your own, there's more to do than you'll ever have time for. Washington is bursting with things to do. You can choose from museums of the Smithsonian Institution, the National Zoo and its famous pandas, the Capitol and the



Photos courtesy of Washington, D.C. Convention and Visitors Association

Washington, D.C., where some of the United States' greatest leaders are memorialized, is a mecca for patriots and history buffs. Visitors can rub elbows with Thomas Jefferson, above, or explore one of the many monuments and buildings, below.



White House, or an assortment of significant memorials – the Lincoln and Jefferson, Washington Monument, the Vietnam Veterans Memorial, and more.

There are numerous points of interest among the government buildings as well. You can visit the Bureau of Engraving and Printing, which has guided tours on weekdays; the FBI; the National Archives, which is the repository for the Declaration of Independence and US Constitution, and other documents. The mule-drawn C&O Canal Barge rides are a special treat.

Within an hour-and-a-half drive, you can visit Civil War battle sites, or stay closer in and see the Arlington National

Cemetery, Old Town Alexandria, or the Pentagon. The list is endless (and the subject treated more thoroughly in *Progressive Rentals*, April-May 1989, beginning on page 26).

Perhaps the best news of all is that Washington's clean and efficient Metro-rail system makes getting around remarkably easy and inexpensive.

Whether you come to visit, come for business, or come for a good time, Washington and APRO '89 won't disappoint you. See you there.

**PR**

Barbara Stooksberry is an editor and writer based in Austin, Texas.



*Bill Keese, a Houston native and former Texas state legislator, is the new executive director of the Association of Progressive Rental Organizations (APRO).*

*Board names new executive director*

### **Keese Hired to Lead APRO; Other Staff Changes Announced**

"In hiring Bill Keese, the APRO board has moved a giant step forward in making the association the catalyst for change in an industry fraught with problems," says APRO President Dick Grauel in announcing Keese's selection as APRO executive director. "Bill has the training background and experience base to recognize and effectively deal with the variety of complex problems faced by an association with a membership as diverse as ours."

A former businessman and Texas state legislator, Keese, 40, is a native of Houston and graduate of the University of Texas at Austin. In his early twenties, Keese bought a small-town restaurant

in central Texas. Buying the restaurant gave Keese two opportunities: to learn business practices first-hand and to establish a political base from which to run for public office. He succeeded at both, building a solid clientele for his restaurant and a loyal constituency for a six-year tenure in the Texas House of Representatives.

Leaving the legislature and the restaurant behind, Keese became vice president of franchising for Schlotsky's, a regional sandwich-shop chain with 200 stores in 21 states.

"Our franchisees started their businesses as entrepreneurs and were forced to become more sophisticated

**T H E**  
**HITACHI**  
*Difference*

We're genuinely concerned about our dealer's profitability. That's a significant Hitachi difference. Our HPX High Performance Xtraordinaire Series utilizes state-of-the-art technology at its highest level to provide the ultimate in audio and video performance. And we've included all of the most advanced features that make it easy to **SELL UP** to Hitachi. Enjoy **HIGHER PROFITS** and achieve quicker inventory turns. There are many more Hitachi differences that separate us from the competition...**SELECTIVE DISTRIBUTION**, breadth of selection, **UNIQUE PRODUCTS**, all add up to increased profitability that are sure to make a big difference in your bottom line!

Won both the Electronic Industry Association Award and Omni Magazine's I D E A Award.



- MXW50**  
 Award-Winning Hi-Fi CD Console
- Euro Wedge Design
  - Compact Disc Player
  - Dual Cassette Deck
  - Digital AM/FM Tuner
  - 50W/Ch Amplifier
  - Only 3-Inches High



- CT3185**  
 H.P.X. 31" Square VU Double Feature Digital 2TV
- Intelligent "Teachable" Remote
  - S-VHS Jack
  - Built-In MTS Stereo
  - Surround Sound
  - 600 Lines of Resolution
  - Self Demonstration



**VT3050 VCR**

- Featuring IntelAscan with 17 pages of On-Screen Instruction, Problem-Solving Information and Features, Self Demonstration
- Dual VU LCD Transmitter Hand Unit
- DA 4-Head Double Azimuth Clean Still and Slow Motion Special Effects



- VM-S8100**  
 Accushot AX Digital Super VHS Full Size Camcorder
- Approaching 1 Lux Sensitivity
  - 2/3 MOS High Resolution Sensor
  - Auto Exposure-Iris/Speed-Flicker Sensor
  - f 1.2 x 8 Zoom

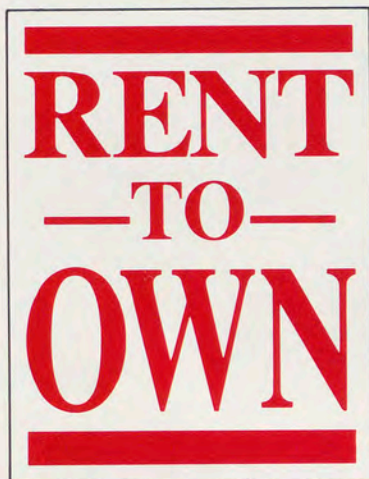
Hitachi Sales Corporation of America  
 401 West Artesia Blvd.  
 Compton, CA 90220  
 Contact: Gary Wooten-Nat'l Sales Manager  
 (213) 537-8383 ext 502

**HITACHI**  
 A World Leader in Technology

# WINDOW SIGNS!

- ✓ Non-rip plastic paper ... roll up and use over & over
- ✓ Vivid non-fade colors
- ✓ 100% Guaranteed ✓ Big Size

ORDER NOW ... \$19 ea. \*Plus shipping/handling as low as



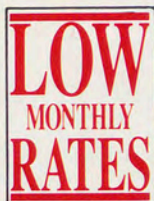
Order #R-1 38" x 50"



#R-2 38" x 50"



#R-3 38" x 50"



#R-4 38" x 50"



#R-5 38" x 50"



#R-6 38" x 50"

### PRICES

(Combine signs for quantity discount)

1 to 7 signs \$24 ea.  
8+ signs 19 ea.

\*Shipping & Handling  
1-4 signs: \$6. Add \$1 for each additional sign. (Add \$4 for UPS Collect.) Orders outside continental US, call for rates.

Order now for IMMEDIATE DELIVERY!

For Charge Card or UPS Collect orders call

TOLL FREE 1 800 346-8116

NOW:

IL: 312-690-9620



Mail order w/check, charge card information, or UPS Collect OK and complete street address to:

SALE!SIGNS, Dept. PR, 1012 Northpath, Wheaton, IL 60187

business people in order to survive and grow," Keese says. His responsibilities for Schlotsky's included developing and implementing programs to meet the changing needs of the franchisees in a fiercely competitive industry.

Keese's next challenge came as marketing director for the Roaring Fork Railroad, a luxury line based in Aspen, CO, that was conceived as an alternate means of transportation from Denver to Aspen when weather conditions made air and road travel dangerous or impossible. The notion of train travel in a luxurious, romantic setting was well received, even by Aspen citizens, who voted overwhelmingly in favor of the railroad even though it meant replacing a popular jogging and cross-country ski trail with railroad tracks. Keese orchestrated the campaign that led to a 67 percent vote in favor of the issue.

Keese also worked briefly in the consumer protection division of the Texas attorney general's office, and, most recently, was vice president of administration for the Balcones Company, a small chain of retail gift stores.

Keese says he welcomes the challenge of working for a national association that is the recognized leader in its field. He would like to see an emphasis on member services--on being responsive to members' needs and providing services members want. His background demonstrates his ability to determine and develop programs to fill those needs, and, beyond that, to execute those programs, says Keese. "Providing leadership and top quality member services," continues Keese, "is the best way for our association to grow."

For the staff, he foresees increased training in the rent-to-own industry, greater personal contact with the membership, and a strong focus on member services.

Dick Grauel says, "One of the things that most impressed me about Bill was his desire to learn rent-to-own from the ground up. We put him in a store for three days to learn to call past dues, deliver, pick up, explain a contract, etc. Then we put him in home office to learn corporate finance, advertising, auditing, and the legal aspects and complexity of managing a multi-state corporation.

"We took Bill to a Rent-A-Center store to see how the 'big boys' do it, then to a six-store operation, and to a one-store operation." Bill has a firm foundation for understanding the basics of rent-to-own and promises to visit many of you each year to gain a deeper understand-

ing of what you need so your association stays current with its member needs."

Keese adds that in operating his own business, he had "first-hand experience with the problems and pressures that come from owning one's own business--meeting payroll, competing successfully in the marketplace, and making a profit.

"I expect my experience to work to the association's advantage," says Keese, who has worked in both public and private sectors and done everything from marketing railroads to managing large staffs. "I've done every aspect of the work done by this association--public relations, convention planning, legislation, professional development, accounting and program development. I see member services as another form of constituent services."

With implementation of a long-range plan, Keese says he sees APRO becoming a leader and innovator in association circles.

In other staff changes and additions, Shelley Martinek has been promoted to membership director. Shelley has been with APRO since June 1988 and was assistant director of meetings and conventions before moving into the membership department.

John Gormley, former editor and information coordinator for the Louisiana Forestry Association, has been named director of publications, replacing Frances Knight, who has moved to Dallas. Gormley, a graduate of Louisiana State University, has also worked as sports writer for large-circulation newspapers in Baton Rouge and as news editor of the Beauregard Times-News in DeRidder, LA.

Other staff additions include D. J. Thomas as administrative assistant and Marybeth Gradziel as secretary receptionist. Thomas has completed a 23-year career in the U.S. Army in management consulting and administration and a very brief stint as a bingo caller and controller. He was administrator for the 1984 Department of Defense Olympic Games in Los Angeles, and vice president and secretary of the Heidelberg International Wandering Club, which served over 5,000 walkers. Gradziel has worked as a secretary and administrative assistant and as a teacher at an athletic club. She is also a free-lance writer, dancer and performer in radio, film, and television.

PR

## WE GIVE YOU THE POWER TO MAKE THE WORLD MORE CONVENIENT

Helping people benefit from every entertaining, time or labor-saving idea...that sense of satisfaction is probably one reason you're in this business. It's sure the reason why we're in ours. Because providing you with "the power of the pyramid"<sup>SM</sup> means we can help you do what you do. Better. With vast

resources. With services that go far beyond inventory financing. With people whose "yes" spirit makes them a force you can feel. Transamerica Commercial Finance. We're behind the Rental Industry in a big way. We're ready to put the power behind you. 1-800-527-4049. In Texas 1-800-442-3337.



**TRANSAMERICA**  
COMMERCIAL FINANCE

# USE THE POWER

Visit Us in Booths  
413, 415, 417

© 1989 Transamerica Commercial Finance Corp.

# Rent relief.

If there's a sudden rush on refrigerator rentals, what should you do before you get down to the last few?

Call us.

Because GE has distribution centers across the country that can get appliances on your floor in as little as 48 hours.

And when they arrive, something else comes with them.

The *best* back-up system in the business.

Which includes the GE Answer Center® service, that can offer help to renters 24 hours a day, 7 days a week.

Plus the only nationwide network of *factory-trained* service representatives, that's ready to handle problems no matter if your rental service is in Alabama, or Alaska.

And to give you even more peace of mind, our appliances are backed by some of the best warranties around. (Up to 10 years in some cases.)

So why buy from a company that just sells you appliances?

When you could choose one that offers a lot more.

GE.



Contact: Donald Linskey  
General Electric Appliance Co.  
Appliance Park AP4-243  
Louisville, KY 40225  
(502) 452-5439



*We bring good things to life.*

Visit us in Booths 303, 305, 307



## Negotiating Store Leases

By James D. Walker Jr.

The written lease document is the last step in the leasing process. It comes after the negotiations about price, square footage, renewal terms, leasehold improvements, and (sometimes) personal guarantees. It is a tiresome process that can include meetings and always includes numerous telephone conferences.

The experience is very likely to leave the tenant wondering whether the space is worth the cost. Certainly the landlord is always wondering whether a better tenant at a better price could have been obtained for the premises. There is a sense of mutual frustration that follows all good negotiations.

Next comes the lease itself. Neither side has any haggling energy left. The landlord uses a form that has been used before. A tenant is not expected to take issue with the language of the written lease agreement if it faithfully incorporates the results of the prior negotiations.

This article is all about the tenant's point of view at this stage. It is a difficult time for a tenant because the landlord has the advantage of preparing the initial "proposal." Notice the word "proposal" is used in this sense to mean the tenant's description of that document. From the landlord's point of view, that document is described as a "lease." There is a big difference between the meanings of the two words.

For several reasons, the landlord is not particularly interested in negotiat-

ing the language of the lease document. In many cases it was prepared for him by a lawyer, or, worse, supplied to him by a lender. The landlord has not prepared this document for this transaction. It is a standard form, and the user is typically reluctant to make changes. This is partly because the user does not understand the meaning of the form except to know that changes can do nothing but give up valuable rights that have been built into the form for his benefit.

Certainly different landlords have different attitudes toward the "lease" form. While a tenant might incur some difficulty in seeking a modification of the terms of the form, this is sometimes a very necessary part of the lease negotiations. This article will identify several areas where a tenant should exercise caution. It is not intended to try to catalog the provisions of the lease from a tenant's point of view. That task is beyond the scope of a tenant's negotiating position to obtain any extensive revision to the document.

In reviewing the document, the tenant should certainly look at each provision to see if it contains any unusual language or term inconsistent with prior negotiations. The tenant (or someone employed by the tenant) should understand all of the terms of the lease to be sure that the provisions are consistent with the tenant's business circumstances.

It is rare that the landlord will try to construct a crafty curve ball in the form of the lease document. Instead, the ten-

ant may as well think of the whole document as a crafty curve ball constructed by the landlord's lawyers. The only comfort the tenant can take in that supposition is to know that the lease is used on all the tenants. In short, after the essential terms are decided, the landlord calls almost all the shots.

Most of the time, the things that are contemplated by the lease never happen. For example, most leases have provisions which determine the respective rights of the parties in the event of a condemnation of all or part of the premises. These provisions are typically weighted in favor of the landlord. There is simply no point in attempting to negotiate a more favorable position in such an event. Most landlords would not understand those provisions of the lease anyway.

My experience with leases in this business goes something like this. The owner or principal manager of the company selects a site and negotiates with the landlord. A lease document is prepared and sent to someone for review. Deficiencies in the lease document are identified to the tenant. The tenant makes some noise to the landlord. The landlord and tenant sign the lease. That ends the process. Seldom does it happen that the tenant even bothers to try to obtain a revision of the document. In my opinion the process works like this because tenants do not understand which of the lease provisions are worth fighting about.

One of the most important provisions in the lease concerns the obligation of

the tenant to keep the premises insured. Typically the landlord wants the tenant to maintain a policy of general liability insurance for the benefit of members of the public who might come upon the premises. It is reasonable for the landlord to require such insurance. Equally important is the necessity that the tenant have this insurance for his own benefit.

Almost all leases require a specific dollar level of coverage. This is where the lease can become a problem. Most leases require a million dollars in coverage. Many insurance policies do not provide that level of coverage for a small business. The point here is that the lease provisions should correspond with the tenant's existing insurance policy. If attention is not paid to this detail, a tenant will have to later consider the choice of increasing coverage beyond affordable levels or remaining in violation of the terms of the lease at all times. While such a default may only be technical in nature, its existence could become a point of unnecessary controversy between the landlord and tenant.

Another important provision concerns the tenant's right to sublet the premises. Sometimes rental stores have to be closed. It is not expected that the premises could be relet for a profit. Instead, the objective is to try and relet the premises with a minimum of loss. Sometimes landlords do not want tenants engaged in the business of releasing their premises.

In most cases the lease proposal will contain a provision that prohibits the subletting of the premises. The tenant should seek instead a provision that prohibits the releasing of the premises without the landlord's consent and specifies that the consent will not be unreasonably withheld. This requires the landlord to permit the subletting of the premises to an appropriate tenant or, in the alternative, relieve the original tenant of his obligation under the lease.

For what it may be worth, a landlord has an obligation to mitigate (minimize) damages under any lease default. For a tenant to exercise this right, it is first necessary to default on the lease. This leaves the tenant in a position where he is likely to feel uncomfortable and helpless. It is much more workable from the tenant's point of view that he be allowed to go out and find a replacement tenant. This leaves the tenant to choose either alternative.

Some lease documents contain pro-

visions that grant to the landlord a security interest in all of the tenant's fixtures, equipment and inventory. Further, such provisions typically grant to the landlord a power of attorney to execute documents that might be necessary to perfect that right, including U.C.C. filings. Usually this provision was never discussed in the original negotiations.

Most tenants would be well advised to reject any lease that contains this provision. The provision is not usually necessary for the landlord. If it is not eliminated, it can create problems for the tenant.

Most rent-to-own stores are already subject to a security interest and U.C.C. filing in favor of the company's principal lender. There is no real security created by such a lease provision since there is no unencumbered value to be conveyed to the landlord. For that reason, the landlord should agree to eliminate the provision.

If it is not eliminated, the landlord will establish himself in a second priority position. If there is ever a lapse in the lien status of the first secured creditor, or if the tenant proposes to switch lenders, the landlord's U.C.C. lien will have to be subordinated. That can be done only with the landlord's consent, and sometimes it is inconvenient or expensive to obtain that consent. This provision should be fought vigorously.

There are many other provisions that occur in leases that would be objectionable from a tenant's point of view. They may not be worth a fight, but they are detailed here as a matter of information. These provisions should be eliminated from leases if possible.

Some landlords reserve the right to relocate your business within a shopping center. This can be disruptive and expensive. This provision is typical in leases where the landlord is financed by a sophisticated lender.

Some leases have very unusual provisions regarding the rights of the landlord in the case of the partial destruction of the premises. Landlords sometimes reserve the right to rebuild the premises within a period of time (usually 90 days) and require the tenant to occupy the premises. While these provisions generally provide for an abatement of the rent during the rebuilding period, the disruption in the tenant's business operations caused by the partial destruction and rebuilding process could transform a marginal store location into a loser.

Some leases relieve the landlord of any damage caused by flooding. In

premises with overhead water, this is a very definite hazard that could become a substantial expense to the tenant. The importance of this provision is that a tenant's insurance policy will often exclude such damages from its coverage. If the landlord is not responsible, and the tenant has no insurance for this loss, the tenant has a serious exposure problem. Before this exclusion should be accepted, the tenant should check his own insurance coverage. The potential for water damage is very real.

Many shopping center leases contain provisions requiring the tenant to comply with rules and regulations. These same leases give the landlord the right to change the rules and regulations at any time. While this is generally not a problem, the tenant should ensure that these regulations will not interfere with his usual business preparations. Here the tenant should consider restrictions on signs, flashing lights, window displays, sound and video restrictions and business hours. Face it, our business can sometimes be a bit more lively than some of our more sedate neighbors.

Be careful to notice the renewal provisions of the lease. Sometimes a lease automatically renews. Sometimes a lease automatically terminates. It is impossible to know which is preferable. Either way, the tenant can avoid problems by monitoring the provisions of the lease as it nears the end of a term.

A rent-to-own tenant might like to have a lease contain a provision that the landlord will not rent space to any other rent-to-own business. It is unlikely that the landlord's lease proposal will contain such a provision, and many landlords would refuse to include such a provision in the lease. Some rent-to-own dealers would be glad to have a competitor nearby. It is an item that should be considered.

A lease is an important part of the foundation of your business. It is worth an investment in careful study and negotiation.

**PR**

---

*LEGAL is a regularly featured column written by James D. Walker, Jr., of Surrentt, Walker, Creson & Colley for rental dealers with legal questions. Please address questions for this column to James D. Walker, Jr., Surrentt, Walker, Creson & Colley, Box 1497, Augusta, GA 30903.*

# Getting Better Results From Your Managers

By Wayne Outlaw

"One of our old stores was going downhill steadily," relates a client. "Deliveries were off month after month, past dues were getting higher, and BOR was continuing to drop. The morale of those in the store was characterized by laziness, bickering, and a lack of commitment."

The client used this story to illustrate why many managers don't get better results.

"The problems really came into focus when the store manager took medical leave for several weeks and we brought in a replacement. Quickly the new person assessed the situation and took action.

"When the former store manager returned, the employees were happy. BOR had turned around, past dues were well under control. Not only had things improved, employees now were busily cleaning and displaying merchandise and calling cards."

What happened to turn this losing situation around so quickly?

Clearly the answer is in an honest appraisal of the abilities of the two different managers. Success comes from three separate and distinct skills: technical, management, leadership.

In some organizations, the most technically qualified person in a position gets promoted to the higher level. Technical skills such as selling products, collecting past dues, and completing records are easy to observe and measure.

Planning, organizing, staffing, directing, and controlling are generally considered management functions. Even though they are clearly skills, they are difficult, but not impossible, to measure.

Leadership is much less clearly defined and is more difficult to evaluate. However, it was just this ingredient

---

**If yours is like most rent-to-own organizations, the greatest barrier to growth is a lack of effective managers and talented people.**

---

that was missing in the example above, and it is this critical aspect that is all too often ignored.

Until leadership is identified and developed, an organization will not reach its full potential. Managers can be appointed, but leaders must be developed.

Where would McDonald's be without the vision and leadership of Ray Kroc? What would have happened to Chrysler if Lee Iacocca had not taken charge? It's easy to see CEOs such as Kroc and Iacocca as leaders. Successful business operators must learn to see leadership not just as the province of famous top corporate leaders.

Leadership in any organization starts at the top. These managers are responsible for making sure that the principles of leadership are expanded to all levels, particularly to the level that represents the company to the customer—the store manager.

This, of course, is much easier said than done. It takes time and commitment. Few people can agree on what constitutes a leader.

One place to start is by defining what leadership really is. Each individual organization should assess its own business needs and define the leadership characteristics that are necessary in its operations.

The following requirements for leadership and the accompanying list of traits (see screened box) necessary for an effective leader are based on research by my company. Although they are not meant to be all inclusive, they do provide a starting point for discussion.

**Supportive.** Even during times of

stress, leaders support their employees as well as the organization. Because of this support, they develop commitment from their staff as well as upper management.

**Responsible.** Leaders accept responsibility for themselves, the group they manage, the company, and for meeting the objectives of the group. They accept responsibility even for failures of the group and develop ways to correct these problems. They do not attempt to cast blame on others.

**Result-oriented.** Leaders strive constantly for improvement. By focusing on success they are able to set higher standards and to encourage others to achieve higher levels. Because new standards are based on realistic goals already achieved, the new targets do not create stress, they create opportunities.

**Committed.** A strong sense of mission and a deep commitment to that mission guides each act of a leader. They are strong willed, yet flexible enough to listen to new ideas and other ways to get results. They are willing to accept justified criticism, but they also stick to their guns during tough times.

**Confident.** Leaders show confidence in themselves and in their employees. It's easy to see if a manager lacks confidence. Failure to delegate, to take risks, and making excuses are characteristics easily recognized as signs of a lack of confidence.

**Motivated.** Leaders are motivated and respond to important challenges. They enjoy solving tough problems and are willing to risk failure to achieve greater success.

*continued on page 52*

**FEATURE**



# The Future of Rent-to-Own

By Edward L. Winn III

*Chuck Sims, chairman of the board of Remco Enterprises Inc., recently moderated two APRO-sponsored rental retreats at which the topic for discussion was "The Future of Rent-to-Own." Eighteen dealers participated in the discussion in Florida and 27 dealers at the Arizona meeting. This article summarizes the highlights of those discussions.*

One can speak generally about the future of a business, making assumptions about the overall state of the economy and a given industry's place in it. An alternative to such global consideration is to break an industry down and discuss its various parts and the kinds of changes likely in different areas of the business.

From an analysis of those different parts, one can then make more precise judgments about the overall future health of an industry. The rent-to-own industry can be broken down into the following categories: products; markets and customers; competition; advertising; and human resources.

## Products

### *The Present*

Dealers report stable prices and more features for their electronics inventory. They report that currently certain categories of products, especially leader products, are not readily available from suppliers. Overall, wholesale distribution to rent-to-own stores is unsatisfactory with problems in delivery of products and service.

One result of product shortages in consumer electronics is that dealers are forced to carry more idle inventory than they used to. By way of example, five years ago a typical rent-to-own store carried less than 10 percent idle.

Today most stores have at least 15 per-

cent and some carry more than 20 percent idle.

Rental dealers today clearly sense that they must overcome a consumer perception that the industry deals in low-end products. There is a move toward small dealers using buying groups more in the rent-to-own business and a slow but steady move toward higher-end products, generally, in the industry.

Dealers do recognize that manufacturers are planning with the rent-to-own industry in mind.

Furniture is big in the rent-to-own industry and getting bigger. The advent of furniture in rent-to-own has saved a lot of dealers. Dealers estimate that rent-to-own accounts for approximately 5 percent of appliances sold at wholesale in America annually and approximately 10 percent of electronics. Dealers were not in agreement about the percentage of furniture purchased by the rent-to-own industry, but they did agree that the furniture percentage was smaller than appliances.

### *The Future*

Dealers predict that the quality of products offered by rent-to-own dealers will improve. This is due, in part, to recognition by dealers that there is no value in throwaway products and customers will demand better products.

Furniture will continue to increase and the industry will see more rent-to-own derivatives. The variety of products will continue to expand including jewelry and other areas. Dealers will carry larger inventories.

Dealers recognize the current brand and quality confusion in the electronics marketplace that did not exist a few years ago. What that means is that customers are less likely to make careful quality distinctions based on brand names. For dealers it means they cannot get the higher prices for certain brand names that they used to. Dealers predict that this confusion will get worse in the future.

Dealers predict that manufacturers will become even more responsive to rent-to-own dealers and tailor programs for them, although the overall issue of distribution will not be solved in the near future and will require dealers overall to carry even larger inventories.

Some dealers see product innovation in the future, HDTV flat screen TVs, and so forth, which will challenge the marketing expertise of rent-to-own dealers and, perhaps, expand customer groups.

## Competition

### *The Present*

Dealers tentatively agree today that although competition is at a high level, it is not, per se, a bad thing. The rent-to-own industry generally has become more professional, and the competition has gotten better in recent years. All dealers agree that there are more retailers entering the rent-to-own market every day.

Many dealers feel that the competition level has peaked and that the industry is, today, in the midst of consolidation. Many dealers today feel there are too many stores in some markets and consolidation will eliminate the extra stores.

Dealers divided the industry into three categories: small mom and pop companies with 1-3 stores; middle-sized dealers with 4-40 stores; and a few large dealers. While there has been price cutting in the rent-to-own industry, many dealers feel that pricing is not as competitive as it could be, and certainly not as competitive as it is going to be. Competitors, nonetheless, are primarily using price objective ads.

A consistent problem for the industry due to the competitiveness in the marketplace is the difficulty in getting and retaining the kind of customer loyalty in rent-to-own that exists in some other retail industries.

*continued on page 25*

# Considering Bankruptcy For an RTO Company

By Jeffrey A. Lehmann

Today's RTO operation feels diverse business pressures. Interest rates vary, lenders offer more or less attractive rates, personnel and services vary, marketing theories abound, product serviceability and ad pressure seem unending. From time to time, economic pressures close in and the thought of filing bankruptcy comes to mind. The Bankruptcy Code has a noble goal of providing a fresh start, but it comes with myriad duties and ironclad rules that the uninitiated may find unpromising, sometimes only after filing for relief.

This article outlines a few of the basic concepts of the Code, the steps necessary to prepare for filing, and tactics and strategies to consider. It will assist RTO owners in planning for a successful relationship with the "broad filed" secured lender in a reorganization proceeding.

If a business does not have sufficient income to meet all expenses and debt service, the goal is to eliminate excesses and increase inventory values to generate cash sufficient to pay expenses, plus roughly 1/18th of outstanding plus interest on a monthly basis.

This article is but an introduction to bankruptcy filing, and it truly glosses over countless complexities impossible to fully explain in this space. Be aware that there are scores of additional legal requirements and subparts in bankruptcy law and practice.

Rental stores go through three stages: growth, maturity, and decline. Growth operations can hide all sorts of operational errors mainly because "everything seems ok" and there's plenty of money. Mature stores have saturated markets, proper supervision and marketing, and operations that remain fine-tuned by owners.

Declining stores have poor morale, saturated markets, poor management, some theft, and, more often than not, side-issue problems such as family disputes, "out of line," bounced checks, dirty showrooms, heavily aged inventory, unenthusiastic employees, etc. It

is the declining store that I will discuss here.

Let's look at "Ron's RTO" company, a hypothetical, troubled store in the latter stages of prebankruptcy operations.

Ron and his brother-in-law (co-owners of Ron's RTO) have not been tending to the stores like they did in the early days; a couple of store managers are stealing; the regional managers are suffering morale problems; the product mix is off; delinquency percentages are high; and the co-owners have been taking excessive salaries. In addition, two new stores didn't do as well as projected. The company increased its outstanding substantially to place new inventory in the stores; the fall season was poor. In January and February, the story to the auditor was "seasonal slow down and fewer weekends in the month." Ron's RTO has been short of sufficient gross income for nine months actually, but they took the payroll tax money (940 and 941) to make up the difference. Ron's RTO now has \$100,000 in IRS debt for three quarters and March is another "bad month."

The lender's field auditor had been told to audit "a little deeper" than the usual "matching deposits" at the stores, and he finds out (from a disgruntled store employee who is about to quit anyway), that Ron's RTO has been padding the customer ledger cards to make payouts and grossly delinquent accounts look like current accounts for the past three audits.

The lender's regional manager is on the phone upset about the audit report, but he is even more upset about the \$10,000 bounced check for this month's payment.

Ron's RTO expects 200 payouts this month, but the lender will not approve \$64,000 in purchase orders until "all this is cleared up." They are also getting heated calls from Fred the furniture man, who sold Ron's RTO \$60,000 worth of furniture two months ago on an open account (based on long-standing dealings), and Ron's has been able to pay him only \$10,000.

Ron and his brother-in-law have been

hearing a lot about Chapter 11 and reorganization and getting "a fresh start," especially since all those newspaper splashes about Eastern Airlines. He then gets a call from the lender, who says that the unit manager, regional manager, general manager, plus GOD will be "in town" next week for a meeting.

## Important Preliminary Concepts

Two concepts are irrefutably true in the RTO business, regardless of the size and number of stores: (1) The national inventory financier has perfected its purchase money security interest (PMSI) in all inventory, most of the equipment, all after-acquired property and all proceeds thereof; and (2) the RTO store requires, as its lifeblood, a source of funds to replace, with new inventory, all payouts, skips and stolen, and net gain contracts. While considering a bankruptcy proceeding, these two rules can never be avoided and should be addressed before any filing in order to survive or to minimize damage.

A common misconception, absent experienced bankruptcy counsel, is that upon filing for Chapter 11, there is an eternal "automatic stay" of all creditors. This misconception continues by the literal language in 11 U.S.C. S 362(a). The automatic stay prohibits creditors from beginning or continuing any lawsuits or repossessions. The purpose is to compel everyone to go to only one place, the bankruptcy court, to sort out the problems. Generally criminal proceedings, nontax government lawsuits, alimony and child support, among others, are not affected by the stay (see 11 U.S.C. S 362b).

Section 362 can lull a debtor into feeling that no bills have to be paid, subject, of course, to the exclusive 180-day period for the debtor to file a plan of reorganization (11 U.S.C. § 1121). Usually, with exceptions, the unsecured creditors (for example, routine

*continued on page 46*

## **COMMITMENT TO THE RENTAL INDUSTRY**

McDonnell Douglas Finance Corporation, providing financial services to industries worldwide for 20 years, now offers long term solutions to your financing needs.

## **EXPERIENCE OF STAFF**

With more than 65 years cumulative experience in the lending business and more than 30 years in rental financing, McDonnell Douglas Finance Corporation is staffed with true Rental Professionals.

## **INSIGHT**

Years of experience, gained in effective customer service through the economic cycles of two decades, back our ability to structure rental financing programs to meet the needs of today and allow you to reach your goals for tomorrow.

Call Bruce Mettner or Dick Wall, (913) 661-9234 before you make your next rental finance decision. McDonnell Douglas Finance Corporation, 10901 Lowell, Overland Park, KS 66210.

***MCDONNELL DOUGLAS***

**EXPERIENCE**

**COMMITMENT**

**INSIGHT**



**Visit Us in Booth 319**

# Who's Who in Computers

Searching for the right computer equipment can be stressful for the computer literate as well as the novice. Experienced, knowledgeable sales personnel can ease your way through that stressful task. Here, then, is a list of computer hardware/software sales and service companies that work with rent-to-own. All are either APRO associate members, advertisers in APRO publications or APRO convention exhibitors.

\* ASSOCIATE MEMBER  
 + ADVERTISER  
 @ CONVENTION EXHIBITOR

- |   |   |  |   |
|---|---|--|---|
| + Computermax, Inc.<br>3805 Drake Ave.<br>Huntsville, AL 35805<br>(800) 322-2629<br>(205) 533-4455 in AL<br>Home, office, and remote rental package           | *+@ High Touch<br>1900 N. Amidon<br>Suite 200<br>Wichita, KS 67203<br>(316) 832-1611<br>Hardware, software, support for rent-to-own               | +@ r:tracs<br>208 W. Bagdad<br>Suite 7<br>P.O. Box 457<br>Round Rock, TX 78680-0457<br>(800) 447-8722<br>Software, hardware, supplies, videotape rental management               | @ SAS Systems<br>Drawer 3299<br>Muscle Shoals, AL 35662<br>(800) 828-8086<br>Pegboard accounting systems, software package for single & multi-locations         |
| *+@ CRIS Systems, Inc.<br>4099 McEwem<br>Suite 440 Dallas, TX 75244<br>(800) 446-3602<br>Software, hardware, support & training for RIO, retail, video rental | +@ Ideal Software Systems<br>P.O. Box 2928<br>Meridian, MS 39302<br>(601) 693-1673<br>Software, hardware for rent-to-own                          | +@ Rental & Sales Software Systems<br>457 Robert Dr.<br>Corpus Christi, TX 78412<br>(800) 334-5224<br>(512) 851-8709 in Texas<br>Software, hardware, videotape rental management | *@ Unique Business Systems<br>2901 Ocean Park Blvd.<br>Suite 215<br>Santa Monica, CA 90405<br>(213) 396-3929<br>Software, hardware, videotape rental management |
| +@ 4M Rental Systems, Inc.<br>P.O. Box 56872<br>New Orleans, LA 70156-6872<br>(504) 821-9600<br>Software, hardware, supplies, videotape rental management     | + Lone Star Computer Services<br>13987 W. Annapolis Ct.<br>Mt. Airy, MD 21771<br>(301) 795-6434<br>Hardware, software support for ALTOS-computers | *+@ Rental Information Systems<br>4098 Summerhill Road<br>Texarkana, TX 75503<br>(800) 231-7471<br>Software, hardware, supplies, videotape rental management                     |   |

# For people who make better living possible, we've made the best insurance affordable.

For a free, no obligation quote, call:  
The Insurance Mart, Inc.

## THE INSURANCE MART

800-233-7075 (In Mississippi, 800-338-5513)

### A·PRO

Association of  
Progressive Rental Organizations

Visit us in Booth 106

Underwritten by  
**The Travelers**

You're better off under the Umbrella.<sup>SM</sup>

The Travelers Indemnity Company and its Affiliates  
Hartford, Connecticut 06183

continued from page 21

### The Future

The rent-to-own industry will continue to become more professionally run and the less professional dealers will simply lose out. The industry will become increasingly focused on customer service and deliver those services better.

Growth in the near future will be by acquisition rather than by opening new stores. Dealers predict that big dealers will get bigger, the little dealers will refine their techniques and continue to survive, and the middle-sized dealers will be squeezed out.

Dealers also predict that external factors will be a major factor in shaping the competitive nature of the industry—financing factors, regulatory factors, and so forth. Dealers foresee customers continuing to become more and more educated about the rent-to-own business. Rent-to-own pricing will continue to drop.

Mr. Sims predicts that shortly there will be 25 percent fewer companies and 10–20 percent fewer stores than exist today. Sims further predicts that a major current problem not likely to be solved soon is that most rent-to-own companies, with a few notable exceptions, are too highly leveraged and that leverage destroys marketing flexibility. Equity money infused into this industry will build new leading companies and enable them to be fiercely competitive with highly leveraged companies.

One result of increasing competition is that rent-to-own dealers may specialize and attempt to acquire niche identities within the rent-to-own marketplace. The one result of overleveraging in the rent-to-own industry is that businesses are undervalued. This will continue to worsen. It is already cheaper, in the eyes of many dealers, to buy rental stores than to open them.

### Marketing/Customers

Dealers generally agreed that the rent-to-own industry represents a 5–10 percent share in the manufacturers' sales of the products dealers rent. The industry is more product specific than it once was. Dealers are using more incentives to get customers in the door than they used to.

Dealers felt that they are marketing to from 20 percent to 35 percent of the population, and all dealers agreed that they needed to move into higher income levels and a broader customer base. Dealers felt that rent-to-own could

indeed do that and was not inherently limited by the nature of the concept to low-income consumers.

The general feeling was that there are a lot of people today who want instant gratification and are willing to pay a premium for it. While low-income consumers make up the core of the business, the attraction of rent-to-own goes far beyond those limits.

It is also recognized that niche marketing is exploding today. Some dealers feel that the customer base has not changed appreciably over the years. Most dealers acknowledge that most rent-to-own customers cannot get

credit.

### The Future

Dealers predict increased public acceptance of the rent-to-own concept and more diverse customer groups. Dealers predict that rent-to-own will move into the credit markets more heavily. Dealers foresee increased use of credit cards in the rent-to-own business, particularly with more retailers entering the marketplace.

Dealers predict increased manufacturer participation in rent-to-own marketing plans with advertising rebates and the like. With an aging population,

continued on page 48

## London Star Limited

600 FIFTH AVENUE, NEW YORK, N.Y. 10020 • (212) 757-2800

*The Diamond Source For All Your Jewelry Needs*

*Prices To Fit Every Request*

*Diamond Earrings • Diamond Pendants*

*Diamond Bracelets • Diamond Men's and Ladies' Rings*



**When Nothing else but  
Diamonds Will Do**

# Four More States Add Rent-to-Own Statutes

---

Amendments to existing laws becoming more prevalent

*(Editor's note: The author of this article has reviewed the status of rent-to-own legislation annually for PROGRESSIVE RENTALS for the past three years. Readers may wish to refer back to previous articles which review the earlier statutes in greater detail. Those articles have appeared in the June/July 1987 and June/July 1988 issues. Reprints are available upon request from the APRO office.)*

By Edward L. Winn III

## Introduction

Since the last annual review of rent-to-own legislation, in the June/July 1988 issue of *PROGRESSIVE RENTALS*, four more states — Florida, Nebraska, Maryland and Rhode Island — have added rent-to-own statutes to their books. In addition, two states — Iowa and Oklahoma — reconsidered the rent-to-own issue and amended their own laws. This article will review those enactments and analyze current issues in bills that are pending around the country.

The Legal Services Corporation, meanwhile, continues its assault on state rent-to-own statutes even after they are enacted. In a recent National Consumer Law Center report, a legal aid lawyer complained that "although some consumer protections are often provided by rent-to-own statutes ... the statutes authorize very high rates of charge and may diminish other consumer protections." The article goes on to explain how dealers, by complying with state rent-to-own statutes, may be able to avoid "formerly valid consumer

claims and defenses. It is true that all rent-to-own statutes explain what these transactions are and distinguish them from other kinds of consumer transactions. This clarification, of course, takes away the disguised credit sale argument from consumer advocates."

The new statutes bring the number of states with rent-to-own legislation to 20. In addition to these states, there remain at least five states with legislation pending — Minnesota, West Virginia, New Jersey, California and Kentucky. There are also several states with rent-to-own legislative activity anticipated in the near term — North Carolina, Wisconsin and Connecticut.

There are three states, not including Pennsylvania, which, in recent years, have amended their retail installments sales acts to include rent-to-own transactions — North Carolina, Maine and Minnesota. For the most part, dealers in those states have abandoned pure rent-to-own contracts and, instead, have instituted rental agreements with bona fide purchase options. In many cases the contracts are still marketed as rent-

to-own.

Since 1985 in Wisconsin, dealers have been using similar purchase-option contracts because of an adverse court opinion there. The Idaho version of the Uniform Consumer's Credit Code has the same statutory language as Wisconsin, but without a state court opinion specifically holding that the language includes rent-to-own contracts. Most dealers in that state still employ standard rent-to-own contracts but some are considering the change to purchase options. Last year the Pennsylvania legislature, as has been previously reported in *PROGRESSIVE RENTALS*, April-May 1989, amended its credit laws to include even rental agreements with bona fide purchase options. Since then, that statute has been declared unconstitutional by an appellate court in the state, and the matter is currently on appeal before the Pennsylvania Supreme Court. In the meantime, the same bill has been reintroduced in the legislature and was recently passed.

Regardless of the final outcome in

Pennsylvania, be it purchase-options or worse, that leaves 27 states with no rent-to-own legislation whatsoever. There are hundreds of dealers in these states who are perfectly content with an unregulated legal environment. Many large dealers, and dealers of any size who have defended consumer lawsuits, prefer the safe harbor that rent-to-own statutes provide even with the administrative burdens and increased costs associated with many of these statutes.

### **Rent-To-Own Revisited: Iowa and Oklahoma**

It is not the case, as some industry observers once thought, that rent-to-own, once legislated, is not likely to be revisited as a political issue. Repeated legislative battles have long been the rule in states where the original legislation has not been perceived as solving problems it addressed. The Pennsylvania legislature in 1983 broadly recharacterized rent-to-own transactions as credit sales without the industry's knowledge or input. The industry response — rental agreements with bona fide purchase options — was seen as an attempt to slip through a loophole in the law. Thus, the second devastating rent-to-own enactment in that state in early 1988. North Carolina rental dealers shared a similar experience with compromise rent-to-own legislation in 1983, and a bitter legislative struggle on the same issue again in 1987. Dealers were once again accused of having found a loophole to jump through. New York dealers got satisfactory compromise rent-to-own legislation in 1986 with a two-times-cash-price rent-to-own price cap. The very next year, consumer advocates introduced a bill to lower the price cap to the cash price plus 25 percent. The legislature was not ready to reconsider the rent-to-own

---

## **The Legal Services Corporation, meanwhile, continues its assault on state rent-to-own statutes even after they are enacted.**

---

issue so soon and the bill died in committee. Connecticut rental dealers, since 1981, have periodically sought to pass favorable legislation or defend against a bad bill. To date, the industry remains unregulated in the state, and Connecticut dealers know to expect future legislative battles.

With the ink barely dry on the Maryland statute, that state's attorney general has already pronounced himself dissatisfied with the new law and has stated his intention to introduce as yet unspecified amendments next session. Indiana rental dealers, in meetings this spring, listened to their UCCC administrator explain how he wanted his state's rent-to-own statute fine-tuned.

Two UCCC states, Iowa and Oklahoma, amended their rent-to-own statutes this spring. Iowa became the third state to enact rent-to-own price controls, and adopted the New York and Ohio two-times the cash price formula (*see related chart*). The new law also clarifies that rent-to-own dealers are subject to the state's Fair Debt Collection Practices Act.

The Oklahoma legislature amended its one-year-old rent-to-own statute in several areas. Oklahoma is the only state to require that rental dealers be licensed. Other retail businesses are regularly required to be licensed — small loan companies and pawnbrokers, for example. Licensing statutes often permit extensive background checks and ongoing supervision of the owners before a license is granted or

renewed. The Oklahoma statute does not go that far, but there was some initial misunderstanding about the kinds and amount of information rental dealers were going to have to supply in order to get a license to do business in the state. The matter was resolved administratively for the most part, although the process is still cumbersome from all reports. The new law clarifies that a separate license is required for each store location, but that no license is required for home offices.

The amendments also impose limits on dealers' "other charges" to customers. The old law placed limits on late charges/reinstatement fees and delivery charges only. The new law adds limits for returned check charges, processing fees and in-home collection fees. The amendments go on to state that a dealer may not charge a customer "any other additional charges of any nature whatsoever." This language may be read to prevent dealers from allowing customers to elect to buy leased property insurance or to pay damage waiver fees.

There is an inconsistency in the amendments which may cause Oklahoma dealers problems. The old law limited late charges or reinstatement fees to a \$5 total, but allowed dealers to charge daily fees up to the \$5 limit. The new law limits daily fees to \$1 and has added a cap of \$3 for weekly payments. As written, the statute is now inconsistent, but conservative advice would

*continued on next page*

caution dealers to cap weekly late charges at \$3. Following the South Carolina example, the Oklahoma amendments limit processing fees to a one-time charge per contract and require dealers to choose between in-home collection and late fees, as they may no longer charge both. The statute goes on to limit the number of times a dealer can collect an in-home charge (see related chart).

### The Name of Rent-To-Own: Definitions

The industry has paid a price for its insistence on using the phrase "rent-to-own." Consumer advocates have argued persuasively that the industry's own marketing efforts underscore the true sales nature of the transaction with the emphasis on ownership. As a practical matter, the furniture rental industry is legally in the same business as rent-to-own dealers. Furniture rental contracts all have purchase options of one form or another. Unless they have an initial term longer than four months

**As a practical matter, the furniture rental industry is legally in the same business as rent-to-own dealers. Furniture rental contracts all have purchase options of one form or another.**

and thereby fall subject to the federal Consumer Leasing Act, these furniture rental contracts are subject to the same laws as rent-to-own contracts. Remarkably, however, the furniture rental industry has never been subjected to the intense legal and political scrutiny that the rent-to-own industry has endured. This may be due in part to the customers' profile, but it also has to do with the name the industry has chosen for itself. The furniture rental industry has never been accused of luring customers into showrooms with the hope of ownership. And with a "keep-rate"

even lower than in rent-to-own, it's a good thing. The attorney general of North Carolina has called rent-to-own contracts "a cruel hoax" because so few people keep the property to term (22%-25% according to North Carolina rental dealers).

Despite what names the industry might have chosen to avoid some of its legal problems, the issue is all but settled. The industry uses the phrase "rent-to-own" everywhere, and the public seems to understand how rent-to-own contracts work. Even without the blessing of a statutory designation, the name appears to be here to stay.

All four statutes denominate the transactions "rental-purchase," bringing the number of states using that term to 15. A rent-to-own contract is a "lease-purchase" transaction in four states and a consumer lease in one.

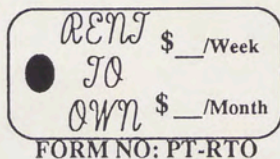
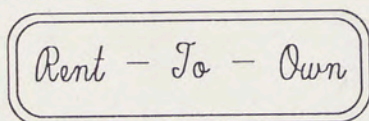
The first six rent-to-own states — Arkansas, Georgia, Massachusetts, Michigan, South Carolina and Texas — did not address the security interest issue because when these laws were being passed, consumer bankruptcy had not become the problem for the industry that it is today. The more recent statutes, mainly those passed in 1986 and later, have all addressed the issue and included language clarifying that a rent-to-own transaction is not a security interest as defined in the Uniform Commercial Code. Even in the six states without a clear exclusion from the security interest language, dealers don't always have a problem in bankruptcy. In Georgia, for example, all three federal districts have ruled that rent-to-own contracts are "true leases" as opposed to security interests and, therefore, dealers are able to recover their property from a bankrupt customer. In fact, the only place where there is a big problem is the bankruptcy court in

*We  
Have*

## IN-STORE PROMOTIONAL ITEMS

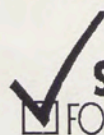
**PROMOTE YOUR PRODUCTS IN THE STORE.  
WHERE IT COUNTS THE MOST.**

Form TC-B-RTO



**TENT SIGNS AND PRODUCT TAGS:** Tent Signs Screen Printed in Red and Blue on White Stock. Available in 2 sizes and 8 promotional statements. Tags available in two sizes featuring "Monthly" or "Managers" Specials.

**For More Information or a 40 Page Catalog of Rental Forms for Rental Dealers Call or Write:**



**SAF·WRITE  
FORMS & SYSTEMS**

1209 South Ridgewood Avenue  
Daytona Beach, Florida 32014

TOLL FREE Natl: (800) 292-3676 Fla: (800) 521-3676

materially and willfully misrepresented any information required under this chapter to be disclosed to a consumer and the information so misrepresented is material to the establishment of the defendant's liability to that consumer under this chapter, the action may be brought at any time within two years after discovery by the consumer of the misrepresentation. [Comp. at ¶ 4650.]

[¶ 6210]

Sec. 6.1-369.10. Violations of chapter—Enforcement. A. Each sale of the services

of a credit services business that violates any provision of this chapter is a prohibited practice under § 59.1-200.

B. If the Attorney General has reason to believe that any credit services business, or any salesperson, agent, representative, or independent contractor acting on behalf of a credit services business, has violated any provision of this chapter, the Attorney General may institute a proceeding under Chapter 17 (§ 59.1-196 et seq.) of Title 59.1 of this Code. [Comp. at ¶ 4650.]

## CH. 17.4—LEASE-PURCHASE AGREEMENT ACT

*As added by Laws 1988, Ch. 24, approved March 2, 1988, effective July 1, 1988*

[¶ 6231]

Sec. 59.1-207.15. Title. This chapter may be cited as the Virginia Lease-Purchase Agreement Act.

[¶ 6232]

Sec. 59.1-207.16. Definitions. As used in this chapter:

"Advertisement" means a commercial message in any medium that aids, promotes, or assists, directly or indirectly, a lease-purchase agreement.

"Cash price" means the price at which the lessor would have sold the property to the consumer for cash on the date of the lease-purchase agreement.

"Consumer" means a natural person who rents personal property under a lease-purchase agreement to be used primarily for personal, family or household purposes.

"Consummation" means the time a consumer becomes contractually obligated on a lease-purchase agreement.

"Lessor" means a person who regularly provides the use of property through lease-purchase agreements and to whom lease payments are initially payable on the face of the lease-purchase agreement.

"Lease-purchase agreement" means an agreement for the use of personal property by a natural person primarily for personal, family, or household purposes, for an initial period of four months or less that is automatically renewable with each payment after the initial period, but does not obligate or require the consumer to continue leasing or using the property beyond the initial period, and that permits the consumer to become the owner of the property.

[¶ 6233]

Sec. 59.1-207.17. Inapplicability of other laws—Exempted transactions. A. Lease-purchase agreements which comply with this chapter are not governed by the laws relating to:

1. A home solicitation sale as defined in § 59.1-21.1;
2. A consumer transaction as discussed in § 6.1-330.77; or
3. A security interest as defined in subdivision (37) of § 8.1-201.

B. This chapter does not apply to the following:

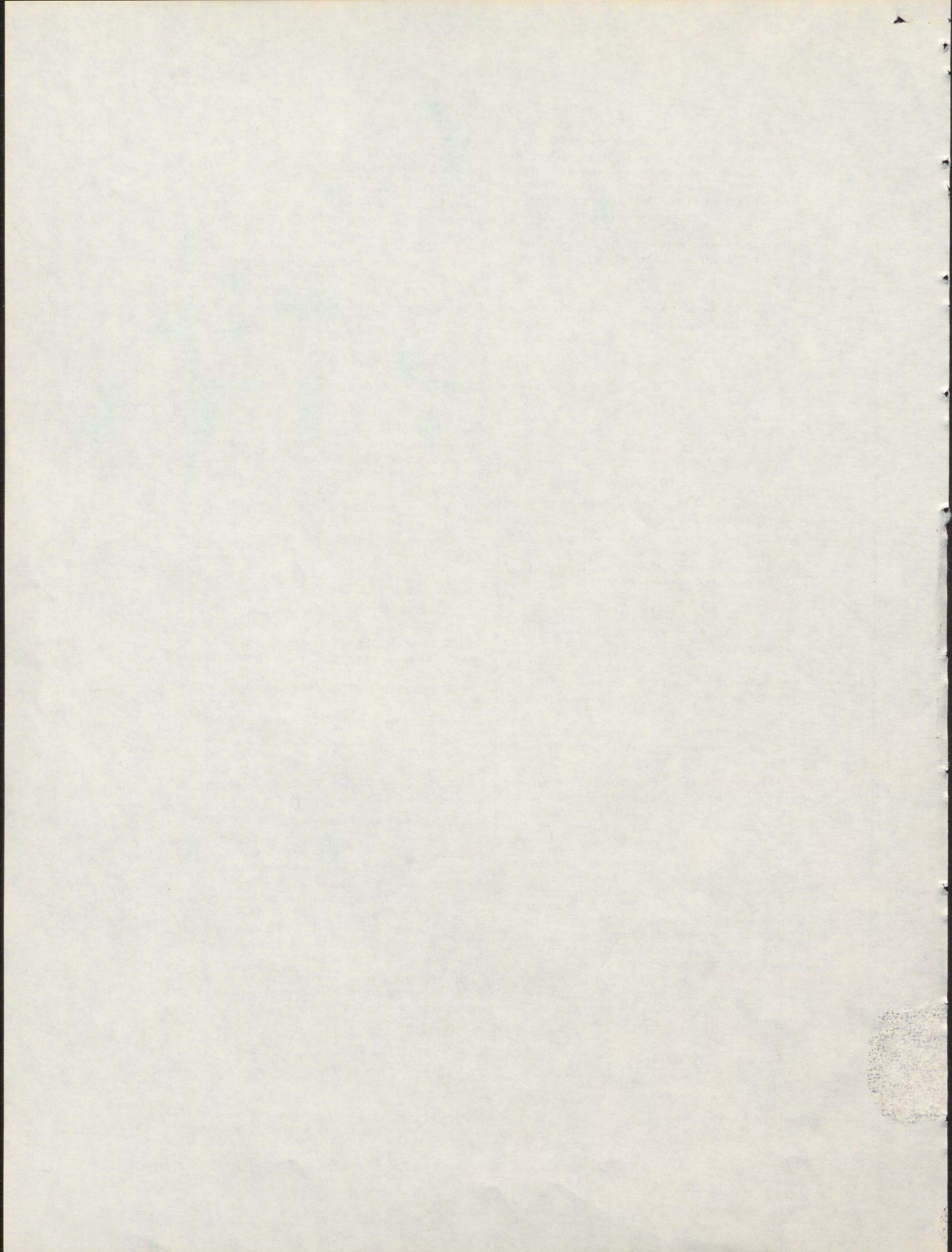
1. Lease-purchase agreements primarily for business, commercial, or agricultural purposes, or those made with governmental agencies or instrumentalities or with organizations;
2. A lease of a safe deposit box;
3. A lease or bailment of personal property which is incidental to the lease of real property, and which provides that the consumer has no option to purchase the leased property; or
4. A lease of an automobile.

[¶ 6234]

Sec. 59.1-207.18. General requirements of disclosure. A. The lessor shall disclose to the consumer the information required by this chapter. In a transaction involving more than one lessor, only one lessor need make the disclosures, but all lessors shall be bound by such disclosures.

B. The disclosures shall be made at or before consummation of the lease-purchase agreement.

[The next page is 54,659-3.]



C. The disclosures shall be made clearly and conspicuously in writing and a copy of the lease-purchase agreement provided to the consumer. The disclosures required under subsection A of § 59.1-207.19 shall be made on the face of the contract above the line for the consumer's signature.

D. If a disclosure becomes inaccurate as the result of any act, occurrence, or agreement by the consumer after delivery of the required disclosures, the resulting inaccuracy is not a violation of this chapter.

[§ 6235]

Sec. 59.1-207.19. Disclosures. A. For each lease-purchase agreement, the lessor shall disclose in the agreement the following items, as applicable:

1. The total number, total amount and timing of all payments necessary to acquire ownership of the property;

2. A statement that the consumer will not own the property until the consumer has made the total payment necessary to acquire ownership;

3. A statement that the consumer is responsible for the fair market value of the property if, and as of the time, it is lost, stolen, damaged, or destroyed;

4. A brief description of the leased property, sufficient to identify the property to the consumer and the lessor, including an identification number, if applicable, and a statement indicating whether the property is new or used, but a statement that indicates new property is used is not a violation of this chapter;

5. A brief description of any damages to the leased property;

6. A statement of the cash price of the property. Where the agreement involves a lease of five or more items as a set, in one agreement, a statement of the aggregate cash price of all items shall satisfy this requirement;

7. The total of initial payments paid or required at or before consummation of the agreement or delivery of the property, whichever is later;

8. A statement that the total of payments does not include other charges, such as late payment, default, pickup, and reinstatement fees, which fees shall be separately disclosed in the contract;

9. A statement clearly summarizing the terms of the consumer's option to purchase, including a statement that the consumer has the right to exercise an early purchase

option and the price, formula or method for determining the price at which the property may be so purchased;

10. A statement identifying the party responsible for maintaining or servicing the property while it is being leased, together with a description of that responsibility, and a statement that if any part of a manufacturer's express warranty covers the lease property at the time the consumer acquires ownership of the property, it shall be transferred to the consumer, if allowed by the terms of the warranty;

11. The date of the transaction and the identities of the lessor and consumer;

12. A statement that the consumer may terminate the agreement without penalty by voluntarily surrendering or returning the property in good repair upon expiration of any lease term along with any past due rental payments; and

13. Notice of the right to reinstate an agreement as herein provided.

B. With respect to matters specifically governed by the Federal Consumer Credit Protection Act, compliance with such Act satisfies the requirements of this section.

[§ 6236]

Sec. 59.1-207.20. Prohibited practices. A lease-purchase agreement may not contain:

1. A confession of judgment;

2. A negotiable instrument;

3. A security interest or any other claim of a property interest in any goods except those goods delivered by the lessor pursuant to the lease-purchase agreement;

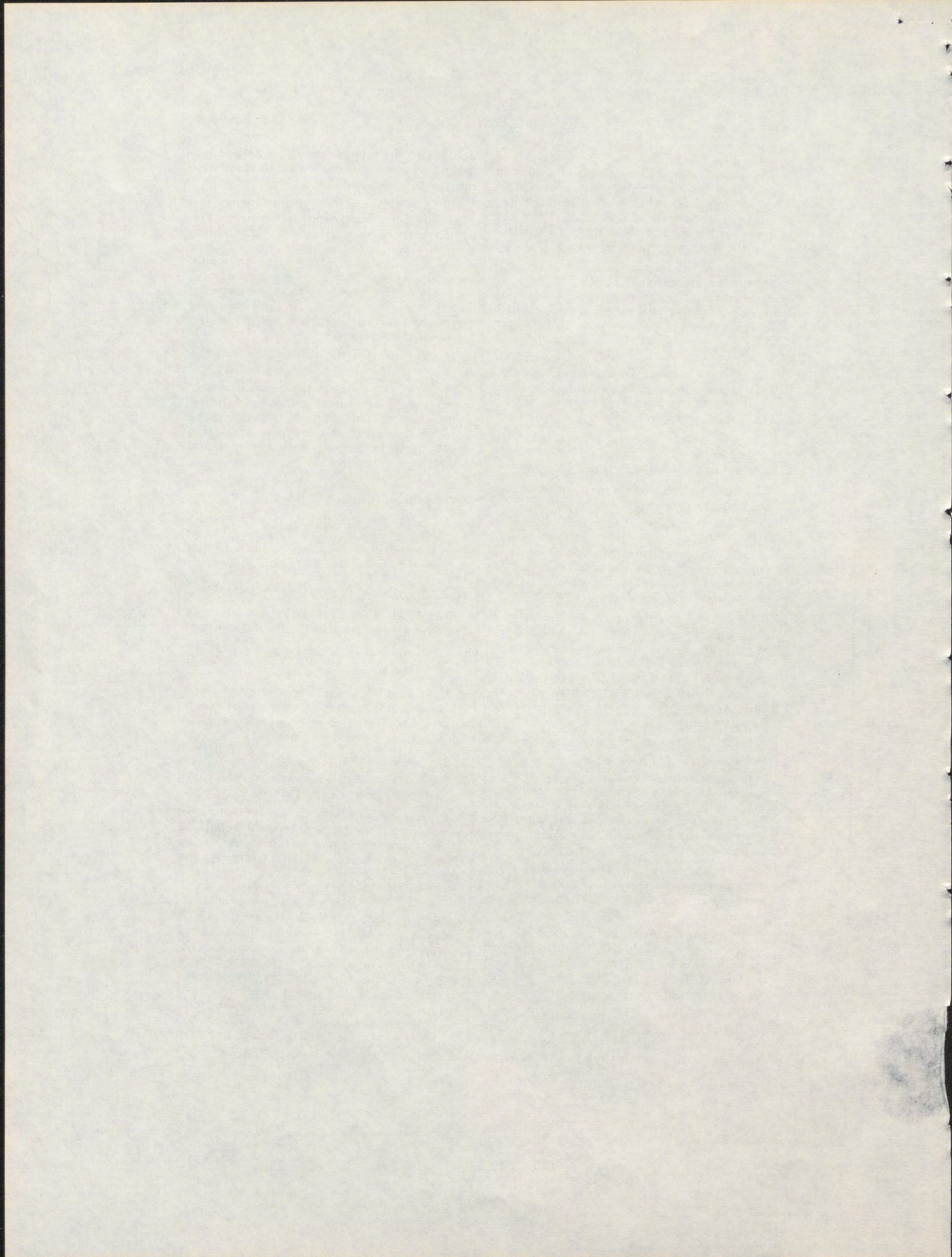
4. A wage assignment;

5. A waiver by the consumer of claims or defenses; or

6. A provision authorizing the lessor or a person acting on the lessor's behalf to enter upon the consumer's premises or to commit any breach of the peace in the repossession of goods.

[§ 6237]

Sec. 59.1-207.21. Reinstatement. A. A consumer who fails to make a timely rental payment may reinstate the agreement, without losing any rights or options which exist under the agreement, by the payment of (i) all past due rental charges, (ii) if the property has been picked up, the reasonable costs of pickup and redelivery, and (iii) any applicable late fee, within five days of the renewal date if the consumer pays



monthly, or within two days of the renewal date if the consumer pays more frequently than monthly.

B. In the case of a consumer who has paid less than two-thirds of the total of payments necessary to acquire ownership and where the consumer has returned or voluntarily surrendered the property, other than through judicial process, during the applicable reinstatement period set forth in subsection A of this section, the consumer may reinstate the agreement during a period of not less than twenty-one days after the date of the return of the property.

C. In the case of a consumer who has paid two-thirds or more of the total of payments necessary to acquire ownership, and where the consumer has returned or voluntarily surrendered the property, other than through judicial process, during the applicable period set forth in subsection A of this section, the consumer may reinstate the agreement during a period of not less than forty-five days after the date of the return of the property.

D. Nothing in this section, shall prevent a lessor from attempting to repossess property during the reinstatement period, but such a repossession shall not affect the consumer's right to reinstate. Upon reinstatement, the lessor shall provide the consumer with the same property or substitute property of comparable quality and condition.

[¶ 6238]

Sec. 59.1-207.22. Receipts and accounts. A lessor shall provide the consumer a written receipt for each payment made by cash or money order.

[¶ 6239]

Sec. 59.1-207.23. Renegotiations and extensions. A. A renegotiation shall occur when an existing lease-purchase agreement is satisfied and replaced by a new agreement undertaken by the same lessor and consumer. A renegotiation shall be considered a new agreement requiring new disclosures. However, events such as the following shall not be treated as renegotiations:

1. The addition or return of property in a multiple-item agreement or the substitu-

tion of the lease property, if in either case the average payment allocable to a payment period is not changed by more than twenty-five percent;

2. A deferral or extension of one or more periodic payments, or portions of a periodic payment;

3. A reduction in charges in the lease or agreement; and

4. A lease agreement involved in a court proceeding.

B. No disclosures are required for any extension of a lease-purchase agreement.

[¶ 6240]

Sec. 59.1-207.24. Advertising. A. If an advertisement for a lease-purchase agreement refers to or states the dollar amount of any payment and the right to acquire ownership for any one specific item, the advertisement shall also clearly and conspicuously state the following items, as applicable:

1. That the transaction advertised is a lease-purchase agreement;

2. The total of payments necessary to acquire ownership; and

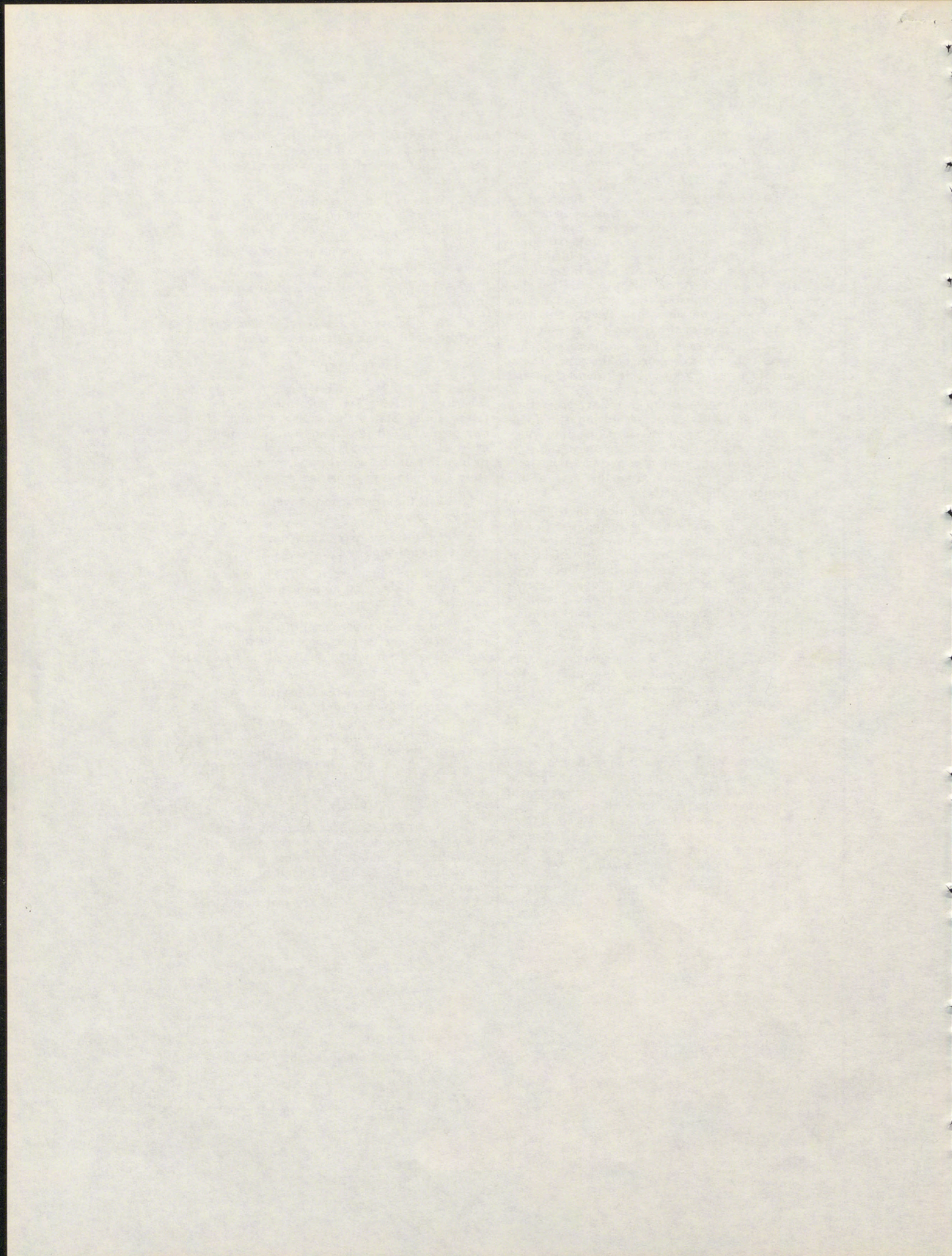
3. That the consumer acquires no ownership rights if the total amount necessary to acquire ownership is not paid.


B. Any owner or personnel of any medium in which an advertisement appears or through which it is disseminated shall not be liable under this section.

C. The provisions of subsection A of this section shall not apply to an advertisement which does not refer to or state the amount of any payment, or which is published in the yellow pages of a telephone directory or in any similar directory of business.

[¶ 6241]

Sec. 59.1-207.25. Enforcement—Penalties. Any violation of this chapter shall constitute a prohibited practice under the provisions of § 59.1-200 and shall be subject to any and all of the enforcement provisions of Chapter 17 (§ 59.1-196 et seq.) of this title.



THE RENTAL INDUSTRY BUYING GROUP  
  
 NATIONWIDE ORGANIZATION

# TRIB Group

## The Rental Industry Buying Group Serving Over 700 Stores

TRIB stands for "The Rental Industry Buying" Group. With over 700 stores nationwide, **TRIB** provides its members with 'chain store' buying power, enabling us to combine lower prices with personal service. This means better quality merchandise and more value for our preferred customer.

**Visit Us  
 at  
 Booth 104**

For more information, contact:

**John Blair**  
**TRIB Group**  
**3783 Presidential Parkway, NE**  
**Suite 113**  
**Atlanta, Georgia, 30340**  
**(404) 451-4302**

Lowry Shrader  
 Chairman of the Board  
 Rent It (TN)

Michael Corley  
 President  
 Mr. C's TV Rentals (FL)

Charles Koenig  
 Vice-President  
 Seajay Investment (TX)

Daniel Adams  
 Secretary  
 Adams Wayside (CT)

David Blevins  
 Treasurer  
 Showcase TV (AL)

Robert Fishman  
 Director  
 Rent A TV Co. (CT)

Richard Gretzner  
 Director  
 Superior Rent To Own (MI)

David Pyle  
 Director  
 United Electronics (AR)

Jim Simms  
 Director  
 RTO (IL)

Robert Tankersley  
 Director  
 Rentway (KS)

Daniel Trudell  
 Director  
 Horizon Marketing (WI)

Allen Lewis  
 Amigo Rentals (NM)

Ken Butler  
 Aaron Rents (GA)

Pam Duggar  
 Action TV (MS)

Bruce Collett  
 Action TV (UT)

Max Meeks  
 Action Rentals (FL)

Sam Berry  
 Action Rentals (KY)

Don Bennett  
 All American  
 Home Rentals (CO)

Bill Ackerman  
 American Rent-To-Own (MO)

Mary Ramsey  
 American Way Rentals (IL)

Kenny Spanier  
 American Warehouse (KS)

Jim Baber  
 Baber's Leasing (MS)

Bert Longhi  
 Bert's Rental (IL)

Norman Slatton  
 Bi-Rite Co. (FL)

Bill Wendell  
 Blue Ribbon Rentals (OH)

Edward Mohanna  
 Cari Rentals (NE)

Bill Coleman  
 Coleman Rentals (MI)

Al Smith  
 Carefree Rentals (CO)

Terence Reilly  
 Color World (FL)

Dan Ballard  
 Dan's Rent to Own (MS)

Dean Hiser  
 Deans (NE)

Ronald Sowers  
 Discount TV Corp. (MO)

Nanci Quinn  
 Future Living Rentals (WI)

David Sher  
 Happy Rents (AL)

Del Wendler  
 House of Rentals (CO)

Jim Huntley  
 Hunt-Regans Instant  
 Rent To Own (GA)

Michael Walts  
 Kentuckiana TV  
 & Stereo (IN)

Jack McCarter III  
 Lease To Own (TX)

Jim Jordan  
 Majestic Rentals (GA)

Tobe McKenzie  
 McKenzie Development (TN)

Nick Scholten  
 Michigan TV (MI)

David Conger  
 Mr. C's Rentals (GA)

Harry Krause  
 Options III (IN)

Mike McCaskey  
 Rentclub of Florida (FL)

Earl Meyers  
 Rent Town (PA)

Darrel Tissot  
 Rent-2-Own (OH)

Pat O'Neil  
 Rental Mart (TX)

Marden Leonard  
 Samar Enterprises (TX)

Meryl Sellers  
 S.K.A. Interest (CA)

Jack Key/Wilson Dickson  
 Southeastern TV  
 Rentals (NC)

Stephen Neborsky  
 The Rental Center of  
 Western Mass. (MA)

Alan Dobzinski  
 The Rental Experts (CT)

John Callender  
 Television Management (LA)

Scott Shirey/Glen Wells  
 Thompson Wells  
 Advertising (CO)

Keith Albertson  
 TV Rentals of  
 Wisconsin (WI)

Zale Kohler  
 Woodville Rentals (OH)

Tuscaloosa, Ala. The judge there has ruled repeatedly in favor of consumers against rental companies and has been upheld by the federal district court judge. A few dealers have gone to rental agreements with bona fide purchase options in an effort to overcome the anti-rent-to-own bias in the bankruptcy court. Most recently the bankruptcy judge has ruled that even those kinds of contracts are security interests instead of true leases, although his reasoning is faulty and almost certainly cannot withstand an appeal.

Passage of Article 2A, The Uniform Personal Property Leasing Act, will help resolve the issue where it remains contested since that uniform proposal rewrites the definition of a security interest and specifically excludes no obligation leases from coverage. To the extent that dealers in one of the six states with the oldest rent-to-own statutes ever have occasion to revisit their laws, dealers are advised to try to amend the definitional section of their statutes to fix this problem along with whatever other changes they are promoting.

### Disclosures in the New States: Florida, Nebraska, Maryland, Rhode Island

None of the four new states to have enacted rent-to-own legislation — Florida, Nebraska, Maryland and Rhode Island — saw fit to go far afield from rent-to-own statutes previously enacted (see related chart). Florida and Maryland track most closely the Virginia statute's contract disclosure agreements. Nebraska borrows heavily from the original version of the Iowa statute. Rhode Island uses parts of the Federal Consumer Leasing Act, similar to the Massachusetts version of rent-to-own legislation. The Maryland statute, in contrast, has added several unique regulatory features.

Four states — Alabama, Michigan, Georgia and Maryland — have model disclosure forms written into their laws. In three states, use of these forms is permissive and dealers may use the form or make disclosures in their own style as long as they comply with the statutes. The new statute in Maryland, however, states that dealers *must* use the model form. It is too soon to tell whether dealers will use the form in the

law as a separate document to accompany their rental agreement or whether they will incorporate the model form into the contractual document itself. Either method should satisfy the statute's dictates.

Florida and Nebraska join Michigan, Iowa and Ohio in requiring a statutory notice to appear on the rental agreement (see related chart). The kind of notices which have become law are relatively benign and track closely the

kinds of notices that appear in other regulated consumer contracts, particularly consumer credit sales. (The California Attorney General's office wanted a disclosure there warning consumers that if they shopped around they could probably find a better deal elsewhere.)

Three states — Illinois, New York and Texas — require dealers to have written contracts translated in all of the

*continued on page 40*

*"Don't Just Buy A Good Computer System"*

## BUY THE BEST!

WE'RE

DIFF RENT

*"Because We're Better"*



**A COMPLETE MANAGEMENT SYSTEM FOR RENT TO OWN DEALERS**

---

## VISIT US AT THE APRO CONVENTION BOOTH NO. 118

---

Write or Call  
**4M Rental Systems, Inc.**  
 P.O. Box 56872  
 New Orleans, LA 70156-6872  
**(504) 821-9600**

<p><b>Inventory Controls:</b> The DiffRent® Rent to Own System controls transfers, receiving, service &amp; repair cost, depreciation, audits, item history and monitors all other inventory related information in seconds.</p> <p><b>Payments and Cash Transactions:</b> Handled fast and efficiently by DiffRent® without writing receipts or posting by hand. Audit reports also track and monitor non-cash items such as service credits and delinquencies.</p> <p><b>Contracts and Customers:</b> The DiffRent® Rent to Own System prints contracts and maintains customer and reference information for mail outs and marketing. DiffRent® also produces a variety of customer and agreement master reports to replace bulky contracts and expensive posting equipment.</p>	<p><b>Marketing and Sales:</b> The DiffRent® Rent to Own System also incorporates a variety of marketing programs to allow users to mail promotional material, send out billing and notices, analyze customer and point of sale information within minutes.</p> <p><b>Reporting:</b> Realizing that properly designed reports are a major tool for the Rent to Own dealer, The DiffRent® Rent to Own System produces comprehensive reports on all system information.</p> <p><b>Management and Security:</b> The DiffRent® Rent to Own System utilizes a high tech security program that allows management to effectively control internal theft and prevent unauthorized users from deleting, editing or adding information without proper access. It also allows management to adjust or change system configuration.</p>
--	---

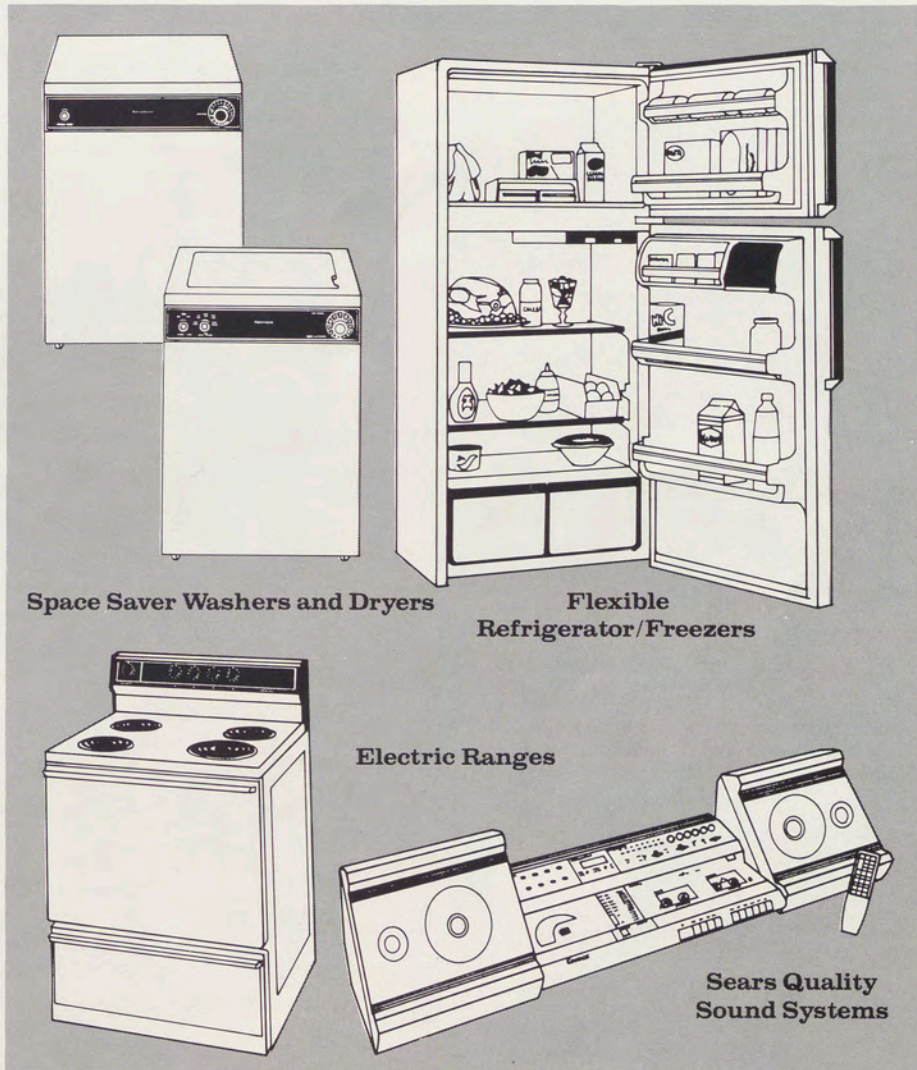
# RENT-TO-OWN RESULTS

## with America's Recognized Favorites

From great sounds to kitchen and laundry convenience, you can count on plenty of "floor action" when you offer America's recognized #1 best selling favorites...Sears and Kenmore.

You'll find just the right product for all your rent-to-own customers. Cooking to laundry day Kenmore appliances offer the latest features for performance and convenience. And, a winning sales beat is a Sears big sound audio system for tape, disc, and records.

Best of all, when you offer a Sears product, it's backed by our promise...Satisfaction Guaranteed or Your Money Back. That's the real important difference people recognize with America's favorites...Kenmore and Sears! Let it sell for you!



Space Saver Washers and Dryers

Flexible Refrigerator/Freezers

Electric Ranges

Sears Quality Sound Systems

For more information, call  
Gerry Ward, National Sales Manager or  
Zach Elkin, Marketing Manager of Appliances  
1-312-875-0365

**Visit Us at the APRO Convention  
in Washington, DC, Aug. 9-13  
Booths 1211, 1213**

# Rental-Purchase Regulation Comparison State by State

RTO Contract Disclosures	Orig. FRB Proposal* (SB 1151)	HR 2537**	GA**	MI*	SC*	TX*	AL*	MA***	NY*
1. Description of the leased property (VA requires a description of any damages to property)		X	X	X	X			X	X
2. Whether the property is new or used (GA, MI, AL, FL, and OH allow "new or previously rented/leased")	X	X	X	X	X	X	X	X	
3. Initial payment (compare with down payment on installment sales)		X	X	X				X	
4. Amount and timing of payments (weekly or monthly rates)	X	X	X	X	X	X	X	X	
5. Amount of "Other Charges"			X	X	X	X	X	X	X
6. Explanation of purpose of "Other Charges"					X	X	X	X	X
7. Limit on "Other Charges" — must be "reasonably related to the cost"						X			X
8. Explanation of risk or loss during term of agreement	X	X	X	X	X	X	X		X
9. Statutory limit on consumer risk of loss (fair market value, cash price, or other limit)		X			X				X
10. Explanation or notice of reinstatement rights of consumer			X	X		X			
11. Explanation of service and maintenance responsibilities		X	X	X				X	
12. Statement concerning how agreement can be terminated									X
13. Total cost of obtaining ownership via rental- or lease-purchase plan	X	X	X	X	X	X	X	X	X
14. Statement that the total cost does not include other charges	X	X							
15. Disclosure of any early buy-out options or formulas		X	X	X	X			X	X
16. Early buy-out required by statute			X	X	X				
17. Disclosure of manufacturer's warranty coverage after ownership		X†	X†	X†				X	
18. Cash price (or fair market value)		X	X	X		X		X	
19. Cost of lease service (difference between rental- or lease-purchase price and cash price)			X						
20. Statement that the transaction is regulated under state law				X					
21. "No Equity" statement	X	X			X	X	X		X
22. Statement of any fees or taxes payable by lessee								X	
23. Statement of amount of any lessee liability at tend of lease term (compare with termination penalty in long-term lease)								X	
24. Description of any insurance required of lessee								X	
25. Description of any security interest retained by lessor		X						X	
26. Statement that consumer may terminate at any time without penalty		X							
27. That consumer not be required to purchase insurance from merchant									
28. Any in-home collection charge must be disclosed and separately agreed to									
29. Description of any insurance paid for by lessor		X							

\*Rental-Purchase Agreement

\*\*Lease-Purchase Agreement

\*\*\*Consumer Lease

†Statute requires the warranty to be passed onto consumers

‡Lessor required to provide maintenance

AR*	TN*	IN*	IA*	IL*	VA**	OH**	OK*	MO*	FL*	NE*	MD*	RI*
	X	X	X			X			X	X	X	X
X	X	X	X	X	X	X	X	X	X	X	X	X
	X		X		X	X			X	X	X	
X	X	X	X	X	X	X	X	X	X	X	X	X
X		X	X	X		X	X	X	X		X	X
X		X	X	X			X	X				X
				X			X					
X	X	X	X	X	X	X	X	X	X	X	X	
					X					X	X	
		X	X		X	X			X	X	X	X
	X				X	X			X		X	X
						X			X		X	X
X	X	X	X	X	X	X	X	X	X	X	X	X
					X					X	X	
		X†			X†	X†		X	X†		X	X
	X		X	X	X	X		X	X	X	X	X
X	X	X	X	X	X	X	X	X		X	X	
		X										X
												X
		X										
	X	X			X	X	X			X	X	
				X		X	X		X	X		
						X			X			

# Specifications on Fees and Payments

Item	GA	MI	SC	TX	AL		NY	AR	TN
1. Late Charges/Reinstatement Fees/ Delinquency Charges permitted Statutory amount (per missed payment):	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	\$5 max.	Lesser of 5% or \$5	\$4/monthly \$2/weekly	\$2-\$5			Greater of \$3 or 10% weekly or Greater of \$5 or 10% monthly		
Grace Period on late fees, etc.									
Monthly			5 bus. days	7 days			7 days		
Weekly			3 bus. days	7 days			3 days		
2. Separate Reinstatement Fee permitted Statutory Fee Limits:									Yes
3. In-Home Collection Fees permitted Statutory Fee Limits:	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Monthly			\$7 per trip (limit 3 trips per 6 months)						
Weekly			\$7 per trip (limit 6 trips per 6 months)						
4. Processing Fees permitted Statutory Fee Limits:	Yes	No	Yes* \$5 per agreement	Yes	Yes	Yes	Yes	Yes	Yes
5. Delivery Charges permitted Statutory Fee Limits:	Yes	Yes	Yes* \$15-5 items or less \$45 - more than 5 items	Yes	Yes	Yes	Yes	Yes	Yes
6. Redelivery Fee after Repossession permitted	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
7. Fees or Penalties for Return of the Merchandise or Termination of the Agreement permitted	No	No	No	Yes	Yes	Yes	No	Yes	No
8. Security Deposit permitted	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
9. Final "Balloon Payments" permitted	Yes	No	Yes	No	Yes	Yes	No	Yes	Yes
10. Requiring Insurance to be Purchased from RTO Dealer	No	No	No	No	No	No	No	No	No
11. Limits on Rent-to-Own pricing		RTO price cannot be greater than 2.22 times cash price					RTO price cannot be greater than 2 times cash price		

\*Option of processing fees or deliver charges, but *cannot charge both*.

IN	IA	IL	VA	OH	OK	MO	FL	NE	MD	RI
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
\$5/mon. \$3/week	\$5/mon. \$3/week	\$5 max.			\$5 min. \$3/weekly	\$5 max.	\$5 max.	\$25/max. mo.	\$5 max. \$3/week	
5 days	5 bus. days	5 bus. days	3 days	5 bus. days						
3 days	3 bus. days	3 days		2 bus. days						
Yes \$5	Yes \$5			Yes \$5 max.						Yes \$5 max.
Yes \$10	Yes \$7 (None if late charge assessed)	Yes	Yes	Yes	Yes \$10 (none if late charge assessed)	Yes	Yes			Yes
	\$7 per trip (limit 3 trips per 3 months)									
	\$7 per trip (limit 3 trips per 6 months)									
Yes* \$10 per agreement	Yes* \$10 per agreement	Yes	Yes	No	Yes \$10 per agreement	Yes	Yes	Yes to \$10 per agreement		Yes
Yes* \$10	Yes* \$10 (\$25 - more than 5 items)	Yes	Yes	No	Yes	Yes	Yes	Yes \$10 (\$25 - more than 5 items)		Yes
Yes	Yes		Yes	Yes		Yes	Yes			Yes
No	No	Yes	Yes	No	Yes	Yes	No			Yes
		Yes	Yes	No	Yes	Yes	Yes	Yes		Yes
Yes	No	No	Yes	No	Yes	No	Yes			Yes
No	No		No	No	No	No	No			Yes
	RTO price cannot be greater than 2 times cash price			RTO price cannot be greater than 2 times cash price						

# Reinstatement Rights

## 'Cure Period'

Item	Orig. FRB Proposal (SB 1152)	HR 2537	GA	MI	SC	TX	AL	MS	NY	AR
1. Weekly payments	None	2 days then 21 or 45 days depending on number of rental payments made	21 days	21 days	60 days	7 day then 30 more days if returned	2 days then 30 more days if returned	None	7 days then, if property returned 30, 60, or 180 more days depending upon rental payments made	3 business days then 30 more days
2. Monthly Payments	None	5 days then 21 or 45 days depending on number of rental payments made	90 days	90 days	60 days	15 days then 30 more days if property returned	5 days then 30 more days if property returned	None	15 more days then if property returned 30, 60 or 180 more days depending upon rental payments made	5 business days then 30 more days
3. Statutory "Cure Period" after notice before suit can be filed										
Monthly										
Weekly										

TN	IL	VA	OH	OK	MO	IN	IA	FL	NE	MD	RI
2 days then, if property returned, 30, 90, or 180 more days depending upon rental payments made	7 days then 30 more days if property returned	2 days then 21 or 45 more days depending on rental payments made	21 days	2 days then 30 more days if property returned	21 days	60 days	60 days	60 days	3 business days then if property returned 30, 90, or 180 more days depending upon rental payments made	2 days then 21 or 45 more days depending on rental payments made	21 days
5 days, then if property returned, 30, 90, or 180 more days depending upon rental payments made	15 days, then 30 more days if property returned	5 days then 21 or 45 more days depending on rental payments made	90 days	2 days then 30 more days if property returned	90 days	60 days	60 days	60 days	5 days then if property returned, 30, 90, or 180 more days depending upon rental payments made	5 days then 21 or 45 more days depending on rental payments made	90 days

5 bus. days

3 bus. days

# Advertising Disclosures

Orig. Proposal (SB 1152)    HR 2537    GA    MI    SC    TX    AL    MA    NY    AR

I. **Triggering Term(s)** – If an advertisement contains these items, then the disclosures listed below must also appear in the advertisement.

Reference to or statement of a rental rate	Reference to or statement of a rental rate	Rental rate due at start of lease of a specific item	Rental rate due at start of lease	Reference to or statement of a rental rate	Reference to or statement of a rental rate	Reference to or statement of a rental rate	Reference to or statement of a rental rate	Reference to or statement of a rental rate	Reference to or statement of a rental rate	Rental-purchase agreement
	OR			OR	OR	OR	OR	OR	OR	
Reference to a rate to acquire ownership	Reference to RTO of a specific item			Reference to RTO of a specific item	Reference to RTO of a specific item	Reference to RTO of a specific item	No down payment	Reference to RTO of one item		

**Disclosures** – must make *all* of the following disclosures:

(A)	ID transaction as an RTO agreement	ID transaction as an RTO agreement	Amount of initial payment due	Amount of initial payment due	ID transaction as an RTO agreement	ID transaction as an RTO agreement	ID transaction as an RTO agreement	ID transaction as a lease	ID transaction as rental-purchase agreement	Transaction as a rental-purchase agreement
(B)	Total of payments necessary to acquire ownership	Total of payments necessary to acquire ownership	Amount of periodic payments	Amount of periodic payments	Total of payments necessary to acquire ownership	Total and number of payments necessary to acquire ownership	Total and number of payments necessary to acquire ownership	Total initial payment due	Total and number of payments necessary to acquire ownership labelled "total cost"	
(C)	No equity statement	No equity statement	All other charges	Cost of lease service	No equity statement	No equity statement		Security deposit, if applicable	Availability of early buyout ownership options	
(D)			Total of all payments necessary to acquire ownership	Total of all payments necessary to acquire ownership				Number, amounts and timing of payments		

II. **Triggering Term(s)** – AND, if the advertisement also contains the following items, then the disclosures listed below must also appear in the advertisement:

							Amount of lease payments and rate necessary to acquire ownership of a particular item	Multiple items and rate information
<b>Disclosures</b>								
(E)							Total of payments necessary to acquire ownership	New or used
(F)							Early buyout formula rental-purchase agreement	ID transaction as rental-purchase agreement
(G)							No equity statement	No equity statement

TN	IL	VA	OH	OK	MO	IA	NE	MD	RI
Reference to or statement of a rental rate	Reference to or statement of a rental rate	Reference to or statement of a rental rate		Reference to or statement of a rental rate	Reference to or statement of a rental rate	Reference to or statement of a rental rate	Reference to or statement of a rental rate	Reference to or statement of a rental rate	Reference to or statement of a rental rate
OR	OR	AND		AND	OR	OR	OR	AND	OR
Reference to RTO of a specific item	Reference to RTO of a specific item	Reference to RTO of a specific item		Reference to RTO of a specific item or statement of a rental	Reference to RTO of a specific item or statement of a rental	Reference to RTO of a specific item	Reference to RTO of a specific item	Reference to RTO of a specific item	Statement that no initial payment required
ID transaction as a rental-purchase transaction	ID transaction as an RTO agreement	ID transaction as an RTO agreement	Amount of initial payment due	ID transaction as an RTO agreement	ID transaction as an RTO agreement)	ID transaction as a rental-purchase transaction	ID transaction as a rental-purchase transaction	ID transaction as a rental-purchase transaction	ID transaction as a lease
Total of payments necessary to acquire ownership	Total and number of payments necessary to acquire ownership					Total of payments necessary to acquire ownership	Total of payments necessary to acquire ownership	Total of payments necessary to acquire ownership	Total initial payment due
No equity statement	No equity statement	No equity statement	Total number of payments necessary to acquire ownership		No equity statement				Security deposit if applicable
		(Yellow Pages exception)							Number, amounts and timing of payments
									Amount of lease payments and rate necessary to acquire ownership of a particular item
									Total of payments necessary to acquire ownership
									Early buyout formula rental-purchase agreement
									No equity statement

languages in which the dealer advertises. To date that has meant that some dealers in these states have had to draft rent-to-own agreements in Spanish.

### Price Tag Disclosures

Maryland joins Michigan, New York and Ohio by requiring that all property on display in a rental store have price tags on them (*see related chart*). The Maryland disclosures differ slightly from the other three states, but are intended to encourage consumers to shop around. It is true that the practice of making full disclosure in the store is not a widespread practice in the industry. At most, dealers will mark property with the rental rate. Maryland and New York require the total rent-to-own price disclosure to appear on displayed property, although that number appears on all contracts in regulated states.

---

**Rental dealers ... must pay attention to the marketplace because of the doctrine of unconscionability. This doctrine allows judges to review consumer and other contracts to determine whether the contract is so unfair against one party that it 'shocks the conscience of the court.'**

---

### Price Controls

Iowa, with its 1989 amendments to the rent-to-own statute there, became the third state to impose price controls on the industry. Iowa followed the lead of New York and Ohio by limiting the rent-to-own price to two times the original cash selling price. Rental dealers are free to set their own cash prices, but must pay attention to the marketplace because of the doctrine of unconscionability. This doctrine allows judges to review consumer and other contracts to determine whether the contract is so

unfair against one party that it "shocks the conscience of the court." One factor to be considered is price. A Connecticut trial court in 1979 ruled that a rent-to-own contract was indeed unconscionable because of several factors including the rent-to-own price when compared to retail pricing. On the other hand, a Kansas appellate court ruled in 1982 that rent-to-own pricing was not in and of itself unconscionable. The danger to rental dealers in New York, Ohio and Iowa particularly is that they determine a desired rent-to-own price

## Notice to consumers

### FLORIDA

- Do not sign this rental-purchase agreement before you read it or if it contains any blank spaces.
- You are entitled to an exact copy of the rental-purchase agreement you sign. Keep it to protect your legal rights.

### MICHIGAN

- NOTICE: This agreement is regulated by state law and may be enforced by the attorney general or by private legal action.

### IOWA

- Do not sign this before you read the entire agreement including any writing on the reverse side, even if otherwise advised.
- Do not sign this if it contains any blank spaces.
- You are entitled to an exact copy of any agreement you sign.
- You have the right to exercise any early buy-out option as provided in this agreement. Exercise of this option may result in a reduction of your total cost to acquire ownership under this agreement.
- If you elect to make weekly rather than monthly payments and exercise your purchase option, you may pay more for the leased property.

### OHIO

- "Notice: This lease-purchase agreement is regulated by state law and may be enforced by the attorney general or by private legal action."

### NEBRASKA

- Do not sign this before you read the entire agreement, including any writing on the reverse side, even if otherwise advised.
- Do not sign this if it contains any blank spaces.
- You are entitled to an exact copy of any agreement you sign.

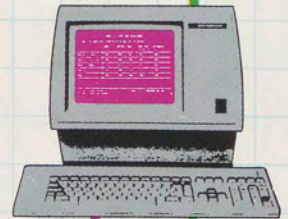
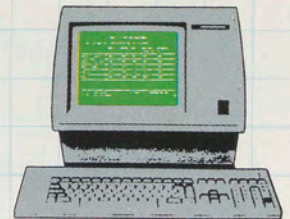
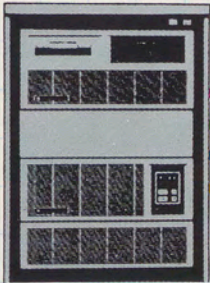
WHEN YOU LOOK FOR A COMPUTER FOR YOUR BUSINESS,  
DON'T JUST LOOK AT COMPUTERS . . .

# LOOK AT SOLUTIONS!

- Rent To Own
- Video Tape Rental
- Retail Point of Sale
- Time and Attendance Payroll Management
- Financial Accounting

**RSSS SYSTEMS BENEFITS**  
Complete Collection Control - Complete Floor Plan Control  
True Multi-User, Multi-Tasking, Multi-Terminal System  
Designed To Run Our Own Multi-Store Rent-To-Own,  
Sales & Tape Rental Business  
Provides Up To The Second Information At All Terminals  
Tracks By Serial Number - Bar Code Capability

**FOR SINGLE OR MULTIPLE STORES  
1 MILE OR 1000 MILES APART**



## WE DO IT ALL!

- Hardware
- Software
- Support
- On Site Installation and Training

**VISIT US  
AT THE  
APRO  
CONVENTION  
BOOTHS 517, 519**



**1-800-334-5224**

In Texas Call:  
512-851-8709 (Collect)

RSSS PROVIDES ALL HARDWARE,  
SOFTWARE AND SUPPORT

**RENTAL & SALES  
SOFTWARE SYSTEMS**

**RSSS**



457 Robert Drive • Corpus Christi, Texas 78412

**Les Feldser  
President**

INSTALLATION AND TRAINING  
AT YOUR LOCATION

## In-Store Price Tag Disclosures

MICHIGAN	NEW YORK	OHIO	MARYLAND
1. Cash price	Cash price	Cash price	Number and amount of payments rec for owners
2. Amount of a periodic payment	Amount of a periodic payment	Amount of a periodic payment	Total rent-to-own price
3. Number of payments for ownership	Number of payments for ownership	Number of payments for ownership	New/Used
4.	Total cost	Total cost	

by using a multiple of wholesale cost and then simply dividing by two to determine the cash price without shopping retail pricing. If, for example, the desired return on a 19-inch color portable television is \$1,100 over 18 months and the retail price range for the same TV in the market is \$199 to \$299, a dealer who set a cash price at \$550, which is \$249, or 83% higher than the highest price in town, may well be at risk to allegations of price unconscionability.

Of course, the most difficult items to price for rental dealers are the high turnover, highly discounted electronics products — smaller TVs, VCRs and, to a lesser extent, microwaves. The retail price spread on most other items is greater and dealers can price most other products in line with retail. At least one dealer in Ohio has gotten a complaint from the Better Business Bureau that the cash price for a 19-inch color portable TV was "too high."

There is no reason that rental dealers must compete with the power retail discounters in their markets when determining cash price. There is no reason that a rental dealer cannot have the highest prices in town. But dealers need to be aware that there is an upper limit

— the doctrine of unconscionability. Price unconscionably lawsuits are rare and plaintiffs have a difficult burden of proof. Nonetheless, such cases have been brought against rental dealers and the industry can expect more in the future.

In addition to the cap on rent-to-own pricing in New York, Ohio and Iowa, those three states also have statutory early buy-out formulas at a prescribed rate. All three states require the dealer to offer a buy-out price equal to the cash price less 50% of all rental payments made. Michigan requires a buy-out price equal to the cash price less at least 45% of all rental payments made. This formula has the effect of limiting the total rent-to-own price to 2.2 times the cash price. South Carolina and Nebraska require a buy-out price equal to the difference between the total rent-to-own price and the total of rental payments made multiplied by 55%. This formula, because it does not work directly off of the cash price, does not directly control rent-to-own pricing, since there is no necessary relationship between the cash price and the rent-to-own price.

An interesting question in all of these states is the duty, if any, a dealer has to

remind a customer late in the contract of the availability of an early buy-out formula. In a 50% early buy-out state, for example, at the beginning of the 17th month, a customer could make another rental payment of, say, \$50 or pay the same amount of money, exercise an early buy-out option and own the property. Most dealers have concluded that they have no affirmative duty to remind customers of the early buy-out formula, since the details are fully disclosed in the agreement. Moreover, the same economics are available in the 16th month, the 15th month and so on, although the example is most dramatic in the 17th month of an 18-month agreement in a 50% state.

Florida and Maryland join Georgia, Indiana and Virginia in requiring that a rent-to-own agreement contain an early buy-out formula without regulating the specific percentage of the formula or how it is to operate.

## Advertising

There is an issue in advertising by the way the term is defined in many of the statutes. The Iowa statute states that advertising includes in-store merchandising aids, price tags, etc., in addition to media advertising. A few states — Alabama, Arkansas and Maryland — clarify that rent-to-own advertising does not include in-store merchandising. The other states leave unsettled the issue whether dealers must make disclosures if any of the advertising triggers appear in the store. Dealers will argue against making such disclosures since they tend to clutter eye-catching POP (point of purchase) displays. However, to the extent that consumer protection statutes, like rent-to-own statutes, are intended to be liberally construed in order to provide maximum protection for consumers, it would not be difficult for a court to conclude the intent of the advertising disclosure sections encompasses all information that a dealer imparts to a potential customer to close the deal, including in-store merchandising aids. To date there have been no challenges to the lack of disclosures and, presumably, dealers in Iowa at least have the proper information disclosed in their stores.

# Solutions by O'Sullivan.

O'Sullivan. The leader. The innovator. The standard from which all others are judged . . . In quality, diversity of product, facilities and distribution, O'Sullivan leads the way with the broadest line in the industry, offering over 125 models each designed and engineered with

thoughtful and useful features, meticulous attention to detail, high-grade materials, innovative and beautiful finishes . . . all combining to assure our customers of a quality product at a competitive price . . . O'Sullivan. America's quality furniture source.



79227



60158



50218



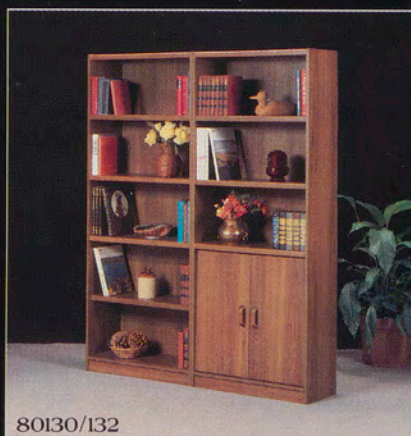
64400 series



61500 series



79030



80130/132



79782

SEE US AT THE  
A-PRO SHOW—  
BOOTH 219

**O'SULLIVAN®**

1900 Gulf Street • Lamar, Missouri 64759 • (417) 682-3322

Advertising continues to be a confusing issue for rental dealers. The variety of disclosures mocks any attempt at a multi-state campaign successfully complying with all the disclosures in each state. Dealers who are complying, or who think they are, become incensed when they see the ads of competitors in flagrant violation of the law. They believe, and rightfully so, that making the disclosures puts them at a competitive disadvantage against a dealer who makes no disclosures. They think customers may be more attracted by an advertised rock-bottom weekly rental rate of, say, \$7 if there is no mention of the total cost of ownership. In most states, advertising the rental rate of an item triggers the set of three disclosures which most often includes the total rent-to-own price.

Noncompliance with the advertising sections of state statutes is a huge problem for the industry. For the moment dealers seem to be calling one another or the trade association. If willful non-compliance continues, then some dealers will start phoning attorney generals' offices and other enforcement bureaus. It is going to be an expensive lesson for a few dealers to learn that these rent-to-own statutes have teeth.

## Repossession

All of the rent-to-own statutes state that a dealer may not breach the peace to recover merchandise. The precise definition of what constitutes a breach of the peace will depend on the facts of each case and will vary slightly depending upon state law. Essentially, though, collectors have an affirmative duty in nearly every state to retreat from all collection efforts at the first sign of hostility or confrontation. In many states, entering a dwelling without the contemporaneous consent of the occupant is a breach of the peace even without any confrontation and may also constitute the crime of breaking and entering. The laws regulating self-help repossessions have been well developed around the country, and the state rent-to-own statutes do not deal with the issue in detail.

A few state statutes do insert procedures dealers must follow before they

---

## Dealers everywhere are learning that rent-to-own is going to be regulated and that they ignore the regulatory process at their peril.

---

can file suit against defaulting customers. South Carolina and Iowa both require rental dealers to give consumers written notice of their right to cure a default on a prescribed form which appears in the statute. Iowa dealers only need to give the notice once during each 12-month period; South Carolina dealers once during the term of the agreement. Both statutes state that before dealers can file suit against customers, they must give the notice. The notice requirement does not affect a customer's right to return the property voluntarily or a dealer's ability to seek peaceful self-help repossession.

In the new Maryland statute dealers must give all customers notice of their reinstatement every time they pick up property. There may be some inconsistency in the statute's reinstatement timing requirements. In the section on reinstatement, customers are given two days on weekly accounts and five days on monthly accounts to make all past due payments or return the property to reinstate. If the customer returns the property during that time, then the reinstatement period is extended from 21 to 45 days after the date of return depending on the number of payments made. The notice requirement, however, states that a customer has 15 days from the date of repossession to reinstate. The statute may be making a distinction between voluntary surrender of the property by a consumer and repossession by a dealer. But in reality, that is a difficult distinction to make. Cautious dealers in the state will elect to be flexible when they pick up property under any circumstances and al-

low consumers the most liberal reinstatement rights that can be read into the statute, preferring to hold the books open on a customer a little longer rather than risk a lawsuit.

## Summary

The rental industry continues to enjoy remarkable success in getting reasonable rent-to-own legislation enacted at the state level. There are still industry opponents who decry these state statutes and lament the "legalization" of rent-to-own. For the most part, however, these have become isolated and ineffective voices in the political arena.

On the horizon are new issues which dealers are having to face in the legislative process — and painful price controls is only one. Some consumer advocates, acknowledging the right of the rent-to-own industry to exist, want new controls placed on dealers' ability to shift risk of loss on to customers; dealers' ability to sell leased property insurance; and dealers' rights to terminate contracts even with the protections that reinstatement affords.

The industry can expect to enjoy future success in state legislatures and possibly at the federal level with some tightening of current regulations. Some of the states that passed rent-to-own statutes early on will likely see the issue revisited and dealers in those states will have to pay close attention to the amendments proposed. The amendment in Iowa, as originally introduced, would have restricted dealers' pricing to the cash price plus an 18% add-on.

Dealers everywhere are learning that rent-to-own is going to be regulated and that they ignore the regulatory process at their peril. Fortunately, the industry is becoming increasingly responsible, and more and more dealers are accepting their roles as long-term industry players and participants in the political process.

**PR**

---

*Edward L. Winn III is general counsel for APRO and a regular contributor to PROGRESSIVE RENTALS.*

# 20 pages of free advice on conducting a more profitable business.



Imagine being able to tell at a glance: the exact status of your entire inventory, which accounts are delinquent at that moment, what your cash flow will look like next week, next month and next quarter, and which advertising is most effective. With such information at your fingertips, it's easy to see how you could enhance the profitability of your business.

*"How to conduct a more profitable rental business"* is a free booklet that illustrates the tremendous increases in efficiency, control and timely access to vital information that result from choosing the right computer system.

Increased efficiency lets you get more accomplished with less

effort. And perhaps, fewer staff. Improved control helps reduce the risk of loss due to theft, or due to the violation of your policies regarding late charges, due dates and bank deposits. Timely access to information allows you to make faster, more accurate decisions on matters that impact the profitability of your business.

If you haven't yet automated your business, send for this booklet. It will help you understand the benefits of computerization and show you what to look for when choosing a system. If you already have a computer system, the booklet might help you improve your system's performance. Call 1-800-446-3602, or clip the

coupon and mail it to CRIS Systems Inc., 4099 McEwen, Suite 440, Dallas, TX 75244.

#### Looking for increased profit? Send for this free booklet.

Find out what computerization can do for you. Fill out this coupon and send it to CRIS Systems Inc., 4099 McEwen, Suite 440, Dallas, TX 75244. For faster service call 1-800-446-3602.



Name \_\_\_\_\_  
Company \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

**CRIS**<sup>®</sup>  
Systems, Inc.

Your Partner in Profit.

continued from page 22

trade creditors, the IRS, etc.) can be forced to wait with no payments until the plan is approved by the Court. Certain others must be paid at least post-petition contract debt — landlords of the shopping center leases, vehicle leases and sales contracts, equipment leases, the yellow pages ad, etc.

Therefore, the stay really only delays certain prepetition debt, and Ron's RTO must pay for the essentials as the proceedings continue. This is not to say that the broader picture is not benefited by the stay, e.g., holding off the IRS, stopping court-ordered repossessions, etc.

The real problem for Ron's RTO is coming to grips with 11 U.S.C. § 363(c)(2), which provides that the debtor cannot use "cash collateral" of a secured lender without the consent of the lender or a court order allowing its use after notice and a hearing. "Cash collateral" is the bankruptcy term for the proceeds generated from the product in which the secured lender has a PMSI.

This provision places an affirmative obligation upon the debtor to get the actual consent of the lender to spend any money. That is to say, not one penny may be disbursed without consent, even to make payroll or to buy gas for the vans, without filing a Motion to Use Cash Collateral. The lender must be served with a copy of the motion, a hearing date must be set, and an evidentiary hearing must be held, unless an agreement can be made. This proceeding is adversary, and both sides may present evidence on what seems necessary for minimum operational expenses.

At the hearing, both sides will likely come away with a "cash collateral order," which is not proper, considering the needs of the business. This usually happens because cash collateral meetings are usually very short and bankruptcy judges are accustomed to hearing about real estate values or "book values" of cars and trucks, for example. RTO is a unique business to supervise, operate, and finance, and it is difficult to get RTO concepts across. As a result, a typical contested order is written with damage to both sides . . . there is seldom a winner.

Therefore, a proper scenario must have planning and cooperation. The planning stage includes an understanding of the items that the secured lender will probably require. For the stores, the need for new inventory financing is

paramount.

## Prepare for Bankruptcy

Owners must plan for long meetings with the lender to address immediate (tomorrow's payroll) and long-term (at least 12-month) needs. Be prepared to submit detailed reports, summaries, pro formas and back-up concerning a 12-month projection on what the rental operation will look like, including: BOR, idle, rental income, operation costs, outstanding balance projections, principal and interest payments, paid-outs, skips and stolens, and "net gain" BOR projections for new inventory purchases.

Be prepared for the lender to require at least: (1) minimum standards of performance requirements, such as 2 percent-5 percent net gain in BOR, principal reduction, etc.; (2) a court "blessing" of the PMSI and super-priority over other lenders, creditors, trustees in the event of conversion, the appointment of a trustee, etc.; (3) "drop dead" provisions in the event of a default in the other postpetition financing provisions or in the event of a material misrepresentation or discovery that the debtor has done previously undisclosed bad things; (4) auditing and cash contracts, such as "lock box" and other monetary controls, to ensure compliance; (5) maximum salaries for equity security holders and operators; and (6) prior written approval for all employment benefit increases.

It must be remembered that even the most cooperative and understanding lenders will be nervous. Therefore, the utmost honesty, full disclosure, and advance notice must be implemented. The business may not make it, but the losses can be minimized.

## Comments

*The Inventory.* All games that have been played with the auditors must be confessed. The real cash flow and contracts will surface immediately after filing. This is because, now that the stores are in the proverbial "fish bowl," an audit of every square inch of paper will be conducted. All of the bad business judgments and all the games will surface sooner or later. The sooner the "games" are disclosed the better because the lender will know that all of the cards are "finally" face up, and it will be more assured and easier to deal with during the rehabilitation of the business. The "retail" sale of product may be done to jettison unrentable items. The idle inventory must be examined

without too much time wasted. Defective items that can be realistically placed in service quickly (30-60 days) should get prompt warranty or service. The balance . . . toss it out or sell at a discount to raise cash.

*Replacement Needs.* This category, sitting harmlessly in the outline, is the most critical inventory item. Without financing for new inventory, the dealer is out of business quickly. The payout numbers, skip, stolen, and BOR needs must be given first consideration. Any dealer who refuses to address the PMSI and inventory rejuvenation facts will create problems that will guarantee an early termination of the business.

*The Inventory Mix.* This is a local and seasonal marketing decision. The dealer should have a solid business grasp on what constitutes a proper mix of living room units, window A/C units, etc., for the location of each store. A lack of working knowledge of this mix is an indication of incompetence.

*Debtor's Employees.* Equity security holders who have engaged in the "good times" of the operations enjoy the great salaries and draws. Many times they forget the hours of personal expertise and effort that got them there. Salaries of these people probably have to stop or substantially decrease. Other salaries may need reduction or positions may need to be eliminated.

Stores may need to be consolidated and costs trimmed. A dealer may have two stores in a particular market. By eliminating one of the stores, a 30 percent loss of gross revenue may well be justified in light of other employment cost reductions or the elimination of a costly premises lease, for example. Only the most aggressive, talented, loyal, and honest employees should be retained as the dealer creates a "lean and mean" machine. A cold-blooded attitude toward the business is a must.

*The Stores.* All commercial leases are "executory contracts" under the Bankruptcy Code and will be automatically rejected, unless assumed within 60 days after the filing. Careful study must be given in the very early stages in order to avoid inadvertent administrative priority expenses. Take care to assume, after planning, only those leases for premises, vehicles, computers, software programs, photocopy machines, telephones, and so forth, that fit exactly into the dealer's "lean machine" program.

Vehicles are an easy play. Assess the status of each van, reject any lease or

continued on page 50

# RES



**RES ELECTRONICS**

301 SOUTH 13TH STREET  
TAMPA, FLORIDA 33601  
TELEPHONE (813) 223-7304 (800) 289-2524

**APRO**  
Associate Member

**Visit us in Booths 210, 212, 214**

continued from page 25

dealers predicted that the rent-to-own population base would age along with the population and that rent-to-own would be marketing to replacement customers increasingly instead of first-time owners.

Dealers also predict greater development in the northeast in the future, since the perception among dealers was that this geographic area has fewer rental stores per capita than other parts of the country. Marketing is going to get more upscale and some dealers are going to focus more on ethnic niches.

Dealers predict an increased use of the rent-to-own concept in commercial markets, although products and dealers may be different. The increased use of rent-to-own by retailers will change marketing practices. The rent-to-own industry is going to have to begin marketing to compete with retailers who have added rent-to-own.

Dealers disagreed about whether small dealers could capitalize on the marketing of larger dealers in a given market to spread the concept of rent-to-own. Several dealers disagreed, noting that the concept has been generally well-developed in most markets and in order to attract customers, dealers need to develop marketing campaigns that will draw customers into their own stores rather than into the rent-to-own market generally.

Although current rent-to-own companies do not do much to differentiate themselves, the opportunity for differentiation in marketing is there and that opportunity will increase. Once the public has become aware of the rent-to-own concept, the opportunity for dealers is to draw them into *their* rent-to-own store instead of a competitor's by distinguishing themselves in the marketplace.



## Advertising

### The Present

Advertising philosophies vary widely among rental dealers. Remarkably, as a percentage of revenues, dealers spend anywhere from 0-14 percent on advertising. Dealers who spend relatively less generally are in smaller markets and insist that word-of-mouth works best.

Dealers generally feel that advertising is too expensive and that the dollars spent on advertising are not put to the best use. They do acknowledge, however, that measuring value in advertising is difficult, if not impossible. Dealers generally agree that advertising must be carefully targeted at an identified market in order to stand a chance of being effective.

### The Future

In the future, rent-to-own advertising will be prettier, more professionally done, and have more glitz. Rent-to-own advertising will access different media than it does today, it will cost more, and finding niches will be more difficult.

Dealers predict that the industry will improve itself by getting rid of misrepresentations in rent-to-own adver-

tising and that, overall, rent-to-own advertising will be more honest in the future.

Dealers will focus advertising on referral business and renewal customers as a prime source of business rather than aiming advertising at new customers.

Dealers predict that flat-screen TVs, VCR replacement, and increased furniture penetration will work together to increase overall industry BOR. Dealers predict a better image for the industry through the use of advertising with a general theme of "Where Working America Shops."

## Human Resources

### The Present

Dealers today recognize that the lack of quality human resources in the rent-to-own industry is the major problem that the industry faces. Dealers agree that the quality of employees equals the quality of the company.

Dealers noted that today job opportunities in America create a high demand for good people. There is no more throwaway help. There are too few qualified workers for the job slots to be filled.

To date there have been very few rent-to-own career employees. The industry historically has not done a good job of selecting people who can grow into leadership positions. Dealers regularly report turnover rates of more than 100 percent.

While the quality of people in the industry is better today than it was five years ago, it is not good enough. Dealers acknowledge that training is the company's responsibility and that dealers cannot expect employees to come to them trained nor will stealing employees trained by other employers work forever.

Other than in the largest companies, there is no quality rent-to-own training available for rent-to-own dealers. The notable exception to that is Rozanne Flatt's *Learning Power*, available through APRO, which has helped stabilize employees and has reduced losses in the companies that are using it.

Dealers are not in agreement about where the greatest training need exists. Some argue that store management and above is the greatest need, while others insist that lower level store employees cause companies the greatest problems, have the greatest turnover, and are in the greatest need of better training.

continued on page 50

# SELL LIFE INSURANCE

THE  
RENTERS  
ADVANTAGE  
CLUB

FOR MORE  
INFORMATION  
CALL 800/638-3693

ALLOS

"THE TURBO" WILL INCREASE THE  
SPEED OF YOUR 586 BY UP TO 40%.  
CALL NOW!!

LONE STAR, INC.  
301-795-6434  
(FAX) 301-829-1623



# To get the benefits of The Rental Manager, you'll have to pay a small price.

Purchasing a software and hardware system is a big step for any business. That's why Rental Information Systems developed The BASIC Rental Manager, the software system that lets you take that big step with only a small investment.

Designed for single or multi-user use, the BASIC Rental Manager lets you run your rental business with the information you need, when you need it. Our system will help save you time and money by providing you with the right information in an easy-to-read format, that lets you spend your efforts renting to customers, collecting accounts, and managing your employees — not manually gathering the information you need.

Let us control your inventory, audit and control your records, and report to you what

service items are still outstanding. We're rental professionals, too, who know from firsthand experience exactly what information you need to run a rental store. We also know how fast you need it.

With our new rent-to-own agreements, available to those who have our system AND those who don't, our support staff, our training schools, our data entry team, our hardware and hardware consulting services, and our leasing alternatives, Rental Information Systems is your full service company for your automation needs.

Discover the big benefits of computerizing your rental operation at the small price of \$995. And join the family of many satisfied users who have already found the benefits of The Rental Manager. Call us today.

For additional information about The Rental Manager or to discuss a demo, Call 1-800-231-7471



**Rental  
Information  
Systems, Inc.**

4098 SUMMERHILL ROAD • TEXARKANA, TEXAS 75503

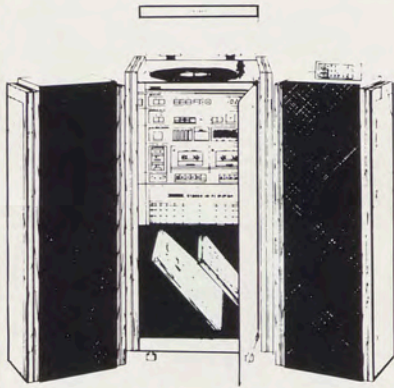
SEE "THE BASIC RENTAL MANAGER" AT OUR APRO '89 TRADE SHOW AND CONVENTION AT THE SHERATON-WASHINGTON AUGUST 9-13.

# FAST

DELIVERIES

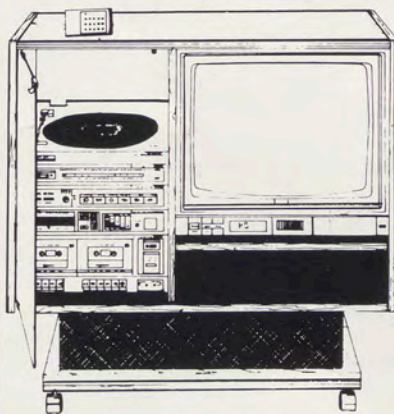
\*WE SHIP 90% OF  
OUR ORDERS WITHIN 24 HOURS

## TECHWOOD



MODEL T1860/500

**Customer Protection**  
**(4) FOUR YEAR**  
**LIMITED WARRANTY**  
**AT NO EXTRA CHARGE**



MODEL TK1350

**Quality A-V Systems**  
**At New Low Prices**

Visit Our Booth At The  
APRO Show And See  
Our New Line of Products

2109 Luna Rd. Carrollton, TX 75006

**FOR FAST DELIVERIES**  
**CALL**  
**(214) 243-5602**  
**(800) 759-1559**

## Rental dealers today clearly sense that they must overcome a consumer perception that the industry deals in low-end products.

*continued from page 48*

Stability is a very important factor at the store level, and long-term store employees build customer loyalty. Training is critical in the industry, yet quality training is not readily available in most companies. Quality training would encourage employees to stick with the business.

Mr. Sims noted that, in his opinion, the industry has not yet made a commitment to training its human resources. He merely sees an industry feeding on itself by continually having one rental company steal employees from another.

### *The Future*

Dealers predict that with the deterioration of the American educational system, truly educated people are not being turned out by the system, and the ultimate result will be more centralized management, since lower and middle management will not come to the job with sufficient tools to manage properly. Dealers acknowledge that in the future the industry will have to spend more money on human resources training. Currently, most dealers have no money budgeted for training.

Dealers will, if only because they are forced to, develop in-house training programs in order to retain employees long term. Dealers recognize the best kind of training is one-on-one mentor-management, and companies will be forced to implement this kind of training. Dealers all agree that even if this is

the greatest problem in the industry, it is a problem that the industry can solve if the individual companies will address the issue.

The rent-to-own industry is going to have an older work force in the future than it does today and must start career planning for its employees. There is a clear need for the industry to create job value and job improvement, which will happen.

Dealers predict that credit and delivery people will cost more than they do today and there will be an across-the-board shortage of executives in American business. There is going to be increased pressure to make employees feel more a part of the business through profit-sharing, generally improved employee benefits, and other mechanisms to breed in employees a high sense of loyalty.

If the industry is going to upgrade its image, it is going to have to upgrade its employees. More of the industry's resources will be devoted to training employees, and as a result, owners will take more pride in their businesses.

These factors in combination will make the industry a better one. Dealers acknowledge that this fundamental shift in the industry is going to cost the industry money, but it is the only way the industry will survive.

**PR**

*Edward L. Winn III is APRO's general counsel and a regular contributor to this magazine.*

*continued from page 46*

purchase contracts on vans that don't work or that are otherwise too expensive (with excessive buyout in the very near future, for example.) Keep (assume) the good contracts. The secured lender may even have a relationship with a leasing company and may make the leases of bright, shiny, new vans part of the postpetition financing package. Who knows?

The existence of the ability to *reject* executory contracts is a powerful tool too often ignored in the planning stages.

*Books and Records.* Not enough can be said for the people who struggle with the numbers. By the time of filing, they have probably been through a wringer.

Dealer books must, however, be accurate. The lender will not have time to audit these records, and it will be up to the dealer to produce these figures efficiently. Accuracy, however, is important. Any responses from the accounting people such as "Gee, I don't know" may precipitate the immediate exercise of "drop dead" clauses and the termination of postpetition financing programs . . . immediate death to the business.

The cost aspect of accounting is routine, except for the potential rejection of expensive equipment leases and programs. A study must be made to assess the value of existing software and hardware leases and programs.

*continued on page 54*

There are two simple reasons why business looks to Transamerica Fleet Leasing. The first reason is that our customers recognize the value of a dollar. The second is they have something else to do—manage their business.

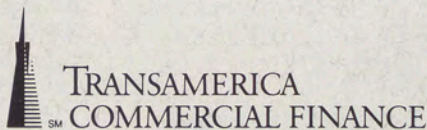
Operating a fleet of service and delivery vans at peak efficiency takes constant attention. The kind of attention you would rather devote to meeting the demands of your rent-to-own business.

Consider an alternative; a full time fleet management team from Transamerica Fleet Leasing. We offer you *more* services, geared to make your fleet operation *more* effective, *more* dependable, *more* cost efficient, and, ultimately, save you time and money.

From helping you select and equip vehicles, to customer designed maintenance and reporting programs through Fleetlink<sup>SM</sup> Services, you can be sure you're getting the best value for your fleet investment.

For high quality, affordable fleet services, contact Transamerica Fleet Leasing Corporation toll free at 1-800-323-8030, in Illinois, 312-490-8400.

**Transamerica Fleet Leasing Corporation**  
650 East Higgins Road  
Schaumburg, Illinois 60173



# We Manage Your Fleet... While You Manage Your Business.



continued from page 19

**Consistent.** Leaders are consistent. Individuals can feel comfortable that their behavior will be dealt with in the same manner as others. They don't have to worry about the possibility of being handled differently just because a situation concerns a different person or happens at a different time.

**Action.** Most important, leaders lead by example. They know that the most effective means of communicating their values is by setting the example, because people emulate their behavior. Lee Iacocca set the example for Chrysler Corporation by cutting his salary to one dollar during the company's financial trouble. His action communicated more than his words could ever do. What examples do the managers in your organization set?

To develop effective leaders, just being able to identify leadership characteristics is not enough. In this fast-paced environment, owners and top managers need additional tools to insure success. They need a way to identify potential managers and develop them to allow the organization and BOR to grow. If yours is like most rent-to-own organizations, the greatest barrier to growth is a lack of effective managers and talented people.

## Characteristics of Effective Leaders

**Unselfish.** Effective leaders are concerned for the well-being of the company and for others, especially those who work for them. Effective leaders know they need the support and assistance of those who work for them and with them to be successful, but this is not the reason they are concerned about others. When employees see a leader choosing self over the good of the group, effectiveness is destroyed. What if Iacocca had raised his salary during Chrysler's financial crisis?

**Open.** Effective leaders communicate both up and down the levels of the organization. They are open, honest, candid, consistently giving tactful and ample feedback to subordinates on job performance. They look for opportunities to praise positive behavior and give credit to others. Management is kept fully informed. Because of excellent communication skills and an innate sense of fairness, individuals who work for them always know where they stand.

**Loyal.** Effective leaders are loyal to the organization, to the people who work for them, and to the goals and objectives that have been set. The easiest way for managers to lose their effectiveness is to betray a trust. Not supporting those who work for them to upper management is a sure indication of lack of loyalty.

**Honest.** There are no degrees of honesty and leaders display complete honesty in all their dealings with customers, employees, and upper management. Knowing where the leader stands will develop confidence and trust in everyone. The leader lives by the rules and is an example for others.

**Innovative.** When leaders are confronted with a problem, they will explore and find new and different ways to resolve it. They don't accept that it can't be done; they look for how it can be done.

The next article will tell how to identify the management and leadership potential of individuals and will describe a system to develop skills to provide an ample number of qualified, talented, motivated leaders for future

managers.

**PR**

Wayne Outlaw is president of The Marcon Group, a business consulting and training firm in Mt. Pleasant, South Carolina. He is a regular contributor to PROGRESSIVE RENTALS.



*We Protect Everything  
"But Kids"*

## WHY YOU SHOULD USE Fab-U-Gard®

A Fluorochemical protector which repels alcohol, oil and water based stains.

Does not attract dust, dirt, oil and grime like some protectors.

Increases rental life.

Faster and easier clean up of rental returns.

**Fab-U-Gard®** Can Save You  
Time, Hassle, and Money  
WITH PROVEN RESULTS.

Visit us in Booth 317

**APRO**  
Associate Member

Call collect or write for information and samples.

**Fab-U-Gard®** • P.O. Box 39430 • Phoenix, Arizona 85069 • (602) 252-3991

# Toshiba announces a rent increase.



1987



1989

It's a major hike. Because in addition to our line of tabletop TVs, we're now offering rentals in three of the market's fastest growing categories: consoles, microwaves and VCRs.

They've got all kinds of high-end features including something not many rentals can offer. One of the

lowest repair rates in the electronics industry.

So call one of our rental sales offices below for more information. Once Toshiba rentals occupy more space in your store, you'll be signing a lot of new leases.

In Touch with Tomorrow  
**TOSHIBA**

Toshiba America Consumer Products, Inc., 82 Totowa Road, Wayne, NJ 07470

**APRO** Associate Member EAST (201) 628-8000, CENTRAL (312) 541-9400, WEST (213) 770-3300.

continued from page 50

## Various Intangibles

*Pending and Threatened Lawsuits.* These cases are usually consumer suits concerning disappointment over products, insurance cases involving accidents, vendor suits for failure to pay bills, etc. These matters are of little concern as they amount to merely potential unsecured claims. Pending suits among owners are of major concern because they directly affect decision-making ability and operations.

*Federal and State Taxes.* These matters are not of legal concern to the secured lender because of the PMSI and inferior payout status under 11 U.S.C. § 507(a) from the standpoint of the supervision of proceeds, the need to rehabilitate the dealer, the ongoing performance, etc. Technically, it is not a problem, but from the business view, it is a major problem. The dealer's principals are on the personal guaranty of the secured debt and probably have "responsible person" liability on the 100 percent penalty provisions of the IRS Code (26 U.S.C. § 6672). The tax problem may warp the principal's point of view as to how the plan of reorganization should look (that is to

---

**RTO is a unique business to supervise, operate, and finance, and it is difficult to get RTO concepts across.**

---

say, pay out the debt). The secured lender does concern itself with the quantity and quality of the owner's participation in the bankruptcy workout because of the probability of an excessive concern for personal tax liability.

### Is Your Lawyer Representing You Properly?

The dealer must feel comfortable with the attorney because a business relationship will exist for 3-24 months or so. You will generally feel that the attorney is knowledgeable of bankruptcy proceedings if most or all of the subjects noted above are discussed with you. You can test the attorney by giving

general information and then sit back and see if the attorney asks pertinent questions. You should expect a minimum inquiry to include a request to see (1) all premise, equipment and vehicle leases or contracts; (2) every secured or lending agreement; (3) a complete list, by name and address, of all creditors; (4) a recap of all secured and unsecured debt; (5) documents evidencing transfers of property within the last year. These basic areas must be examined for a proper initial evaluation. Remember, the Bankruptcy Code and the Bankruptcy Rules are their own "animals" with few comparisons to familiar state laws and regulations.

*Conclusions.* I believe that a cooperative effort combined with a complete understanding of the RTO operation and the Bankruptcy Code lead to a happier and more prosperous business future. A lawyer's ignorance of dealer or lender needs can lead only to disappointment on all sides. These concepts, coupled with preparation, will go a long way toward reorganization.

**PR**

*Jeffrey A. Lehmann is an attorney with the law firm of Lehmann & Coulson in Houston.*

**CANYON  
RENT TO OWN**

FURNITURE  
COLOR TELEVISIONS  
STEREOS, VCRS  
& APPLIANCES

# ESOP!

## CONGRATULATIONS!

To the Employees of Canyon Rent To Own  
on the adoption of their Employee Stock Option Plan  
Effective April 1, 1988

At no cost to themselves, Canyon employees obtain  
stock in their company, share in its growth  
and benefit from Canyon's prosperity!

### CANYON TV

4080 East Lake Mead, Suite B-1  
Las Vegas, Nevada 89115

(702) 459-0474

## TAKING PRIDE IN RENT-TO-OWN

## TRAIN for PROFIT\$

### Learning<sup>®</sup> power

- ✓ Employee training system written for rent-to-own
- ✓ Endorsed by **APRO**

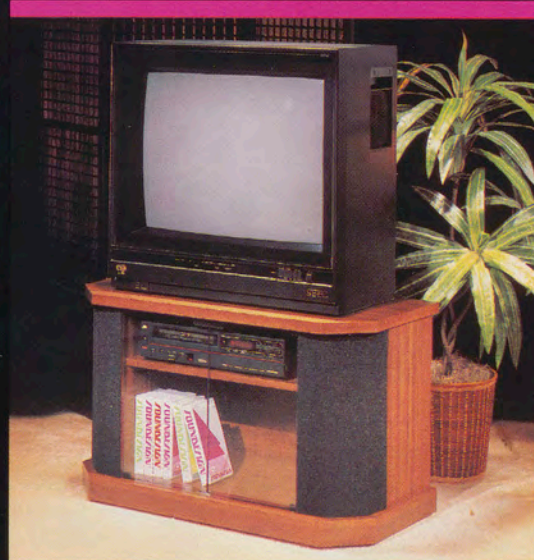
### Seminars

- Trainer Skills
- Managing Rental Employees
- Interviewer Skills

The **Growth Dynamics** Company

72 Country Place      P.O. Box 1500  
Springfield, IL 62703      Big Pine Key, FL 33043  
217-529-4650      305-872-2643

# Rent Something Worth Owning!



- Complete Entertainment Centers
- Rack Systems
- Audio/Video Stands

Soundesign offers your customers audio/video systems and stands that provide performance, up-to-the-minute styling, the latest features and best of all, the most for their dollars. Renting a Soundesign will make your customers want to own one.

Soundesign offers the rental industry products and programs specifically created for dealers who want wide selection, pre-paid freight, generous advertising support and special situation discounts.

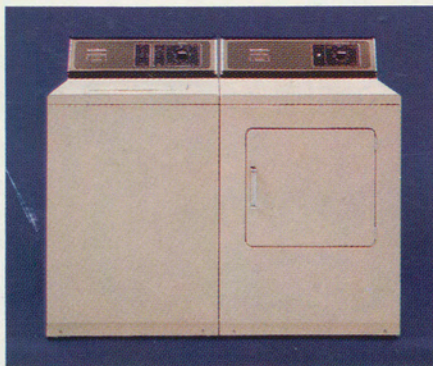
Send for our full-line brochure, or call Jim Rives direct, and get complete information on how you can increase sales and profits with Soundesign's audio and audio/video product line. And don't forget to ask about our *NEW 2-Year Replacement Warranty*.

**SOUNDESIGN®**

**NEW TWO YEAR  
REPLACEMENT WARRANTY**

# People who have no time for downtime have Speed Queen.

As a rental specialist, you know your profit hinges on the dependability of your equipment. As the Laundry Specialist, Speed Queen knows how to make equipment dependable. Built to take rental-caliber abuse year after year. Concentrating on washers and dryers has made us the country's coin-op leader for more than 30 years. So you know our machines are designed for large capacity, easy portability and speedy installation. And while no one can promise a machine will never break down, our front serviceability means precious time saved. So if you want to improve your bottom line, take a look at our line. Contact Jay McDonald at Speed Queen Company, P.O. Box 990, Ripon, WI 54971-0990. (414) 748-3121.



**Speed Queen**

A **Raytheon** Company

**APRO**  
Associate Member  
since 1981

**Visit Us in Booth 308**