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**APRO**

**PR**

June/July 1993  
**Rentals**  
The magazine of the rental-purchase industry

**Volume 13, Number 3**

**Features**

**9**

**Dealer serves community**

For one-store dealer Mark Taylor of Ypsilanti, Mich., profit and charity are not mutually exclusive. Here's how one entrepreneur gives something back to his community.

**10**

**Prospering in rapid change**

Do you sometimes feel swept away by disruptive outside forces? Learn to instinctively turn the turmoil of change into a secret of your success.

**22**

**W.Va., three others get laws**

While members of the U.S. Congress have been planning to harshly regulate the rental-purchase industry, four more state laws have passed.

**27**

**Q&A with an assistant A.G.**

Don Darling is West Virginia's assistant attorney general for consumer affairs. It's his unenviable task to interpret and enforce the state's controversial new RTO law.

**30**

**Make Friday the 13th lucky**

APRO's annual convention and trade show opens on Aug. 13, a Friday, in Las Vegas. It should be eventful.

**34**

**Feature-driven electronics**

High-end features for A/V have entered the rental market. Customers seem to want the latest, and price is now a secondary consideration.

Las Vegas News Bureau



**ON THE COVER:** Downtown Las Vegas has a history of excitement and—although APRO's convention headquarters, Bally's, is on the newer "Strip"—RTO dealers are gearing up for a record-setting Aug. 13-17 convention. See page 30.

**Departments**

**6**

**President's View**

**8**

**RTO Perspective**

**14**

**Dealer Views**

**16**

**RTO Finances**

**24**

**RTO Message**

**50**

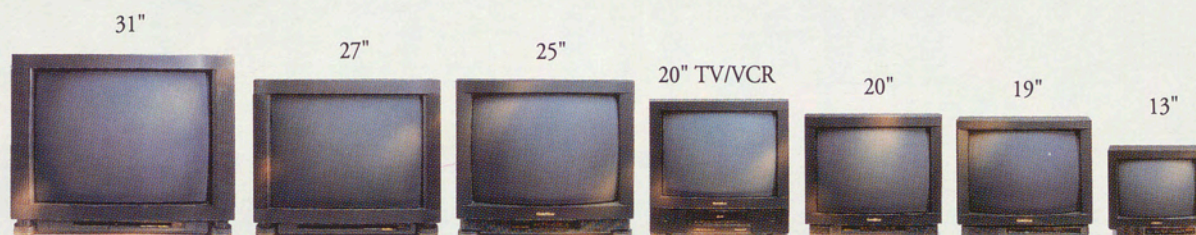
**RTO Humor**

**52**

**Govt. Relations**

**58**

**News & Products**



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*Wrapping up a two-year term with mixed emotions on progress, future*

# *A farewell, in a way, but not to arms*

IT WILL SOON BE CONVENTION TIME AND THIS YEAR'S AUG. 13-17 CONVENTION PROMISES TO BE ONE OF THE BIGGEST GATHERINGS EVER FOR RENTAL DEALERS. THE LAS VEGAS CONVENTION WILL ALSO BE THE TIME FOR ME TO STEP DOWN AS YOUR PRESIDENT AND RESUME A MORE NORMAL LIFESTYLE AND CONCENTRATE ON RUNNING MY OWN BUSINESS.

.....

BY

WAYNE CHAMBERS

.....

The last two years have given me the opportunity to make friends with a large number of dealers, give my energy to better the association and the industry, and gain a great deal of knowledge about the business and environment in which we operate.

The only way one can gain that appreciation is to actually be president of the association and do the job without limitations on the fervor to make things better. In the process, I have come to believe that as an industry we are truly in the cross-hairs of many self appointed "consumer activists," whether they are individuals or groups.

The interesting thing is that several of the "consumer activist" attacks have come during my watch, and I have quietly

and doggedly fought them with your support. We have not succeeded to solve any of the overriding industry problems during my presidency, and that is frustrating.

It is my thought that we are infinitely better equipped to continue the contest and prevail, but at some uncertain cost. The ironic thing is that your opponents have, as a practical matter, no cost in the conflict because you, as a taxpayer, pay for both sides.

It is also my opinion that we are our own worst enemies. We still have dealers who insist on not participating in the industry as responsible business people concerned about the issues confronting us all. Instead, these renegade dealers seem to be more concerned with what will benefit them personally. Ultimately, they become targets for our opposition to pick at and avail themselves of an opportunity to draw blood.

The industry must continue to show unwavering unity now and in the future. With this kind of commitment, we will survive the attacks and prosper as a group of concerned business people.

Finally, I would like to thank you for the opportunity to serve as president of APRO and the support you have given me during the last two years. I would like to thank Bill Keese and the super APRO staff for their support. It's been a trip!

PR



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*It's time we began telling the untold story*

# Dealers: people helping people

ONE OF THE STORIES YOU WILL READ IN THIS ISSUE OF *PROGRESSIVE RENTALS* (SEE FACING PAGE) WILL BECOME A STANDARD FEATURE IN FUTURE MAGAZINES. WE ARE GOING TO HIGHLIGHT EXAMPLES OF RENTAL DEALERS CONTRIBUTING TO THEIR COMMUNITIES.

AS WE ALL KNOW, THERE ARE THOUSANDS OF EXAMPLES OF RENTAL DEALERS AND THEIR EMPLOYEES WHO RAISE MONEY AND CONTRIBUTE GOODS AND SERVICES TO AND FOR THEIR CUSTOMERS AND OTHERS IN THEIR COMMUNITIES. THESE DEALERS STEP FORWARD TO HELP THOSE WHO ARE FACED WITH TRAGEDIES OR OTHER MISFORTUNE.

.....  
BY  
BILL KEESE

.....

The dealer we are focusing on in this issue is a one-store operator who was watching his local television news broadcast one evening and saw a report of an apartment complex that was burned to the ground. The next day, he provided furniture for the unlucky apartment residents. I first heard about this act of kindness when I was visiting with Mark Taylor at a Michigan Rental Dealers Association meeting. Once we began our research, we discovered that Mark regularly contributes bedding to a United Way affiliate.

I have mailed a survey out to all APRO members asking them to tell us about their services to customers and/or community as a whole. We know that most rental

dealers rise to the occasion on a regular basis, but do it because it is right, not to get publicity for their activities.

Normally, we would not ask for these dealers to divulge this information, but it is important that our adversaries and legislators know that their caricature of this industry is erroneous. When we hear congressmen and congresswomen claim that our industry is like a "shark feeding on minnows" and that we are nothing more than "apartheid credit," it is time we tell this side of the story. When you get this survey, please take a few minutes to tell us about similar acts of kindness on your part. Perhaps once we see a good cross section of what you have been doing, we can have a coordinated program to promote this type of good deed.

On another subject, I want to encourage all of you to register to attend the upcoming APRO convention and reserve your rooms at Bally's in Las Vegas as soon as possible. It is no exaggeration that this could possibly be the largest convention in our industry's history. Certainly, the issues for all of us to review are at the forefront. The list of speakers and seminars are more impressive than ever before. It is important that we once and for all unite together to face the issues and problems of this industry.

Shelley Martinek, our director of education, just gave me a report showing that the number of hotel rooms reserved nine weeks out from our convention in Las Vegas far surpasses previous years at five weeks out, which is the normal time for us to check. Shelley has done a wonderful job of putting together what will be the finest convention in APRO's history.

Cindy Ganther and Carolyn Fitzsimmons of our marketing depart-

ment have done an excellent job this year. By the time you read this, we will be sold out of booths for the trade show. Many new faces and new products will be featured this year. You ought to come and see for yourself.

Finally, this will be my final column under the presidency of Wayne Chambers. I want to thank Wayne for a job extremely well done for the last two years. You will read in his final column that he is frustrated that the big issues impacting our industry are not yet resolved. Wayne is certainly a doer and I know that he sincerely wishes that these issues were behind us. However, we all owe Wayne a great deal of gratitude for helping prepare your association for the work that is now to be done.

On a personal note, I want to thank Wayne for the close working relationship that he and I have had over the past two years. I know that he has spent thousands of hours on behalf of the industry, and is leaving APRO a better association because of his hard work and dedication.

Thanks Wayne!

PR

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## Taylor has strong sense of community

NATIONAL LEADERS, LEGAL AID LAWYERS AND SO-CALLED CONSUMER ADVOCATES HAVE LIBELED THE RENTAL-PURCHASE INDUSTRY WITH RHETORIC SUCH AS "SLEAZY," "RIP-OFF" AND "DECEPTIVE."

.....

This is nothing more than a stereotype perpetuated by people who perceive the world from committee rooms and computer screens.

The truth is much different. Through introspection of this industry, the microscopic view of individual RTO dealers unveils business people who participate in and contribute to their communities.

"Good deeds go unnoticed" is an appropriate aphorism for the rental-purchase industry. But it doesn't seem to bother Mark Taylor of Ypsilanti, Mich. Taylor, owner of Michigan Rent-To-Own, realizes the economic and social niche his family operated business provides to Ypsilanti.

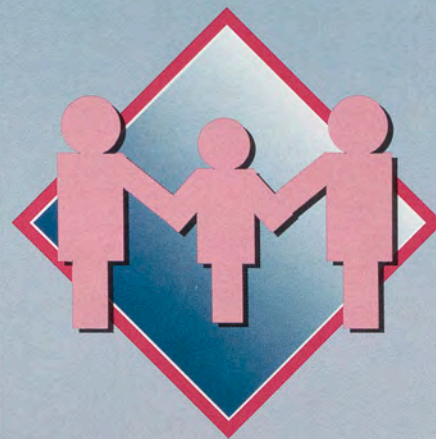
For Taylor, profit and charity are not opposing factors. Rather, they are symbiotic and are both part of his successful business.

On Aug. 2, 1992, residents of the Cobble Creek Apartments, a complex located near Taylor's Michigan Rent-To-Own store, suffered a tremendous disaster from an arson-related fire. Most of the complex was destroyed.

The day after the fire, several families accepted Taylor's offer to fully furnish those residents of Cobble Creek who lost their possessions. After several months, three out of the five families graciously returned the merchandise, while the other two families decided to purchase the furnishings.

Cobble Creek wasn't an isolated case of Taylor's kindness. In April of this year, Taylor donated mattresses and box springs to the Prospect Place Family Shelter Program. Prospect Place is a shelter for homeless families, part of the SOS Crisis Center program and the United Way.

The shelter is designed to tem-



porarily provide a haven for homeless families and to assist in locating permanent residences for them. Once families have been relocated, Prospect Place also provides furnishings for the families. Some of those furnishings include the beds Taylor donated.

The shelter is located behind Taylor's business, and the two operations have developed a unique spirit of cooperation. Nancy Edwards, the shelter's family resource coordinator, is responsible for donated resources and allocations.

"A lot of people feel uncomfortable with a homeless shelter next to their business," says Edwards, "but Mark is cooperative and helpful."

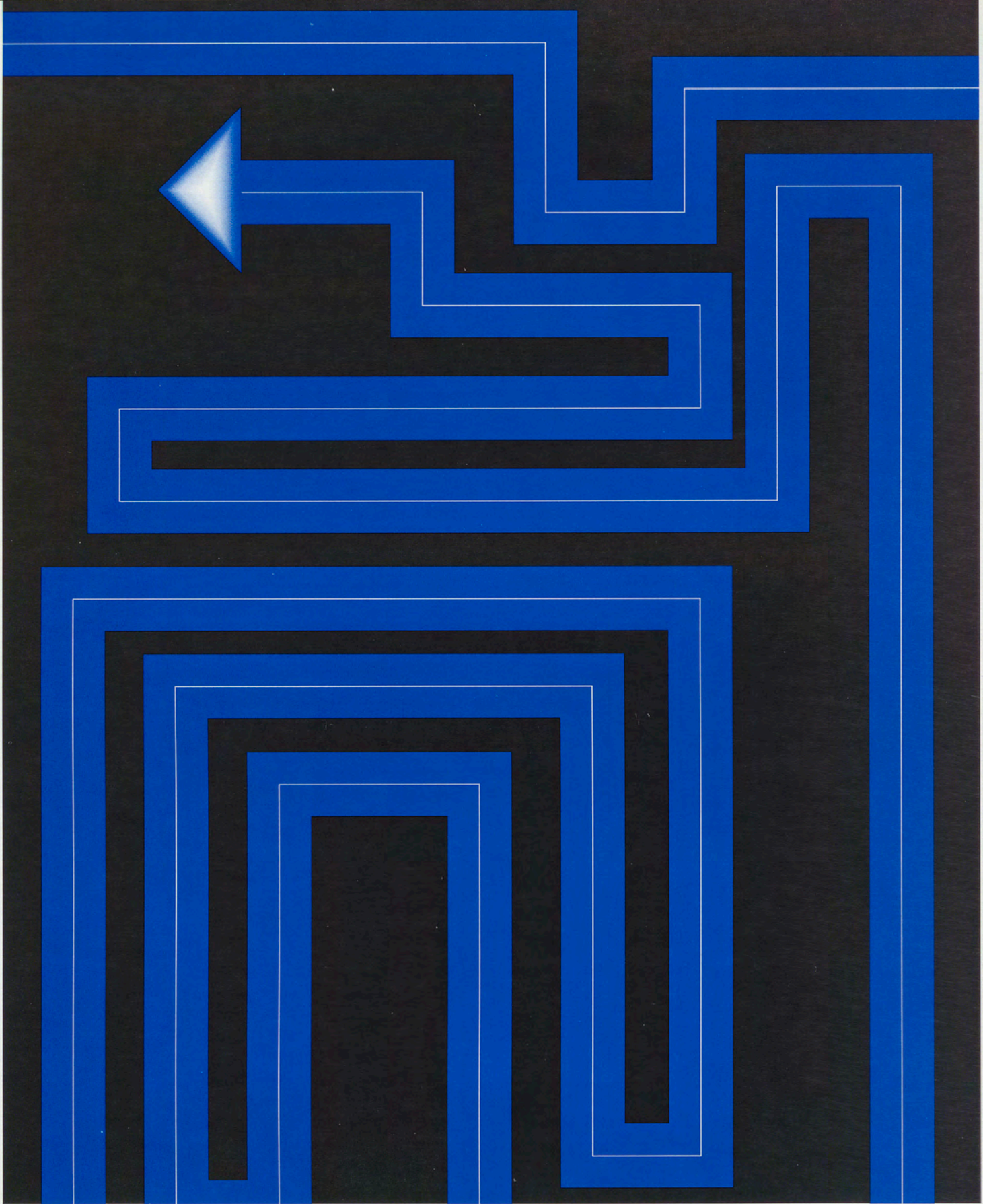
Taylor believes his participation in community service is nothing unusual.

"The community serves us; therefore, we serve the community and that's how it should be done," says Taylor. "We're a family owned and operated business that helps families and the community whenever we can."

Married and the father of two, Taylor is a one-store operator and has been in the rental-purchase business since 1983. Before that, he was in the TV repair business. Taylor has been an APRO member since 1986.

Taylor typifies the model citizen and entrepreneur with a social conscience. In an economy that often pits business aims and social programs against each other, Taylor serves neither exclusively. Instead, he sees his business as a community service.

—Richard May



Joel B. Matthews

.....

BY  
NATE **BOOTH**

*Do you sometimes feel swept away by outside forces?*

# Rapid change: Taking control

TEN YEARS AGO, IF I WOULD HAVE TOLD YOU THAT THE COMPUTING POWER OF THE LARGEST COMPUTER IN THE PENTAGON WOULD BE A LAPTOP COMPUTER IN 1993, YOU WOULD HAVE TOLD ME I'M CRAZY. FIVE YEARS AGO, IF I WOULD HAVE TOLD YOU THAT THE SOVIET UNION WOULD BE IN SHAMBLES IN 1993, YOU WOULD HAVE HAD ME LOCKED UP.

Changes occurring right now in all areas of life are astounding and will only increase in speed in the years ahead.

The companies and people who can respond to, anticipate and, when necessary, create change will prosper in the midst of it all. In the '90s, it's absolutely critical you view all the changes as challenges, and make the correct choices that will propel your business and yourself into the next century.

In changing times, the bottom line is this: The same standards, beliefs and strategies that have gotten you to where you are now will not get you to where you want to go. When things change, you must change. You must raise your standards, change your beliefs and change your strategies.

## Raise your standards

The same levels of product quality and customer service that worked in the 1980s are not enough in the 1990s. Think of all the instances in which you've been saying, "I should do this," and make that "should" a "must." If you don't, somebody else will and you'll be left in the dust.

## Change limiting beliefs

All changes in your environment are filtered through your belief system, and

I've studied dozens of people who are masters at using change to their advantage. Here are six beliefs they have in common:

- **Any change that doesn't kill me makes me stronger.** Effectively responding to change creates growth in organizations and people.
- **Change equals opportunity.** More millionaires were created during The Great Depression than at any other time in our nation's history.
- **When things change, I (or we) must change.** When it comes to change, flexibility is power.
- **No matter what happens, I'll enjoy the journey.** Life is too important to be treated seriously.
- **When I'm committed, there's always a way to achieve my desired outcome.** Walt Disney went to more than 200 banks before someone bought into his vision and gave him the money to build Disneyland.
- **Everything happens for a reason and a purpose, and it serves me.** Often, the events that seem "bad" at the time they happen are actually the events that are the best for you in the long run.

## Develop your strategies

A strategy is a specific way of organiz-  
CONTINUED ON NEXT PAGE

Continued from previous page

ing your resources, and the right strategy is absolutely critical in raising your standards and belief in what you're doing 100 percent.

But if you don't use an effective strategy, you're doomed to failure. People who are only excited about

something but don't know what they are doing are dangerous. They must be confident and competent.

The best and quickest way to discover strategies is to model the success of others. Success is not an accident; it leaves clues. Find somebody who is achieving the same result you want to achieve and pick their brain to see how they are pulling it

off. Take a rich person to lunch, for example.

When it comes to change, you've got four possible postures:

1. Watch the change—"I wonder what's happening?"
2. React to the change—"I can't believe it's happening!"
3. Anticipate the change—"I have a good idea of what's going to happen."
4. Create the change—"I make it happen."

Of course, anticipation and creation are the most desirable postures, and here are four keys to change anticipation/creation:

- **Go on an unquestioned conviction hunt.** Question existing thinking, beliefs, systems, products and services. Ask the question, "What if there was another way?" And, be on the lookout for the word "impossible."

- **Break the pattern of thinking in a linear fashion.** Don't assume the status quo. Begin thinking in parallel and cyclical fashions.

- **Ask questions no one else is asking.** Ask a lot of "What if?" and "Let's just suppose" questions.

- **Become a student of possibility.** Be an expert in your field and a generalist in many related fields. Begin to notice where there are significant amounts of pain and significant amounts of pleasure in our society. Trends are created here, and spotting them early can make you rich.

Changes create challenges in your life and challenges are the spice of life. If you had no challenges in your life, you would be six feet under. We're happiest in our lives when we're growing, and changes are nature's way of telling us to grow.

Use change to make your business and your life the masterpieces they were meant to be.

PR

*Nate Booth is the head corporate trainer for Robbins Research International of San Diego. He has presented more than 700 seminars, workshops and training programs to top corporations, and is author of the book Turning Resolutions Into Realities. Booth will present the keynote address at the 1993 APRO General Session and Business Meeting, scheduled for Aug. 14 at Bally's in Las Vegas. He can be reached at (619)535-9900.*

PR

### NOTICE OF PUBLIC SALES AND INVITATION TO BID

The collateral described below (the "Collateral") will be sold at public sales as indicated herein. These sales will be held to enforce the rights of Transamerica Rental Finance Corporation ("TRFC") under a loan and security agreement (the "Loan and Security Agreement") between TRFC and borrowers which own and operate rent-to-own stores (the "Borrower"). The Loan and Security Agreement is presently in default. The principal and interest due and owing to TRFC under that agreement is approximately \$10,357,000.00.

#### The Conditions of the Public Sales Are as Follows:

**Collateral.** The following described collateral will be sold:

(a) All accounts and receivables of Borrower, being all of Borrower's right to payment for goods sold, leased or rented or for services rendered by Borrower; including, but not limited to, all accounts, installment sales contracts, accounts receivable, instruments, chattel paper, general intangibles and contract rights of Borrower, and all proceeds therefrom.

(b) All of the inventory of Borrower, whether new or used, of whatever kind or nature, now owned or hereafter acquired, and all returns, repossessions, exchanges, substitutions, replacements, attachments, parts, accessories and accessions thereto and thereof, and all other goods used or intended to be used in conjunction therewith, and all proceeds thereof (whether in the form of cash, instruments, chattel paper, general intangibles, accounts or otherwise).

(c) All accounts and instruments of Borrower.

(d) All equipment, fixtures, furniture and leasehold improvements of Borrower.

(e) All merchandise rental contracts, rent-to-own contracts, customer agreements and the proceeds from such contracts and agreements and all general intangibles of Borrower, including all trade names, assumed names and any and all rights of Borrower pursuant to any franchise and license agreements.

(f) All bank accounts of Borrower.

(g) All monies, residues and property of any kind, now or at any time or times hereafter, in the possession or under the control of TRFC or a bailee of TRFC.

(h) All accessions to, substitutions for and all replacements, products and proceeds of the foregoing, including, without limitation, proceeds of insurance policies insuring the Collateral.

(i) All books and records (including, without limitation, customer lists, credit files, computer programs, printouts and other computer materials and records) of Borrower pertaining to any of the foregoing.

The Collateral includes, but is not limited to, rent-to-own contracts, receivables from customers, television sets, video cassette recorders, video cameras, furniture, home accessories, appliances, jewelry and video cassettes.

**Location of Collateral.** The Collateral is located at, or associated with:

a. Rent-to-own stores and a headquarters office in the South, Central and far West areas of Texas (collectively, the "Texas Locations"); and

b. A rent-to-own store in central Mississippi (the "Mississippi Location").

**Times of Sales.** The dates and times of the sales will be as follows:

The Collateral at the Texas Locations will be sold at 2:00 p.m., central daylight time, on Tuesday, July 27, 1993.

The Collateral at the Mississippi Location will be sold at 2:00 p.m., central daylight time, on Wednesday, July 28, 1993.

**Places of Sales.** The sales will take place at the following locations:

The Collateral at the Texas Locations will be sold at the covered area at the Lipan Street entrance of the County Courthouse at Corpus Christi, Nueces County, Texas.

The Collateral at the Mississippi Location will be sold at the north front door of the County Courthouse at Jackson, Hinds County, Mississippi.

**Conditions of Sales.** The conditions of these sales are as follows:

The Collateral at the Texas Locations and Mississippi Location will be sold in bulk or in lots, "as is, where is," and without representation or warranty of any kind or character by TRFC or any other person.

Bids on the Collateral must be made in person at the times and places stated above. The terms of any sale shall be payment of funds in cash or by certified or cashier's check or wire transfer after the acceptance of any bid. Payment must be received by 12:00 noon, central daylight time, on the day following the day of the sale.

TRFC reserves the right to bid for and purchase the Collateral at the sales, and to credit the purchase price against the expenses of the sales and against all other amounts due and payable to TRFC under the Loan and Security Agreement and the related loan documents.

TRFC further reserves the right to offer the Collateral in any other commercially reasonable manner, including by way of a private sale or sales, and to reject all bids and to adjourn the sales until such other time or times and to such other place or places as TRFC may deem proper.

#### Additional Information May Be Obtained

Additional information concerning the Collateral and matters pertaining to the sales may be obtained by contacting Jay Garcia, TRFC Account Executive, 13760 Noel Road, Suite 919, Dallas, Texas 75240; telephone number (214) 458-5860. The documents reflecting TRFC's security interest in the Collateral are available for inspection by appointment prior to the sales. Interested parties may contact Mr. Garcia.

#### Invitation

YOU ARE ENCOURAGED TO SEEK ADDITIONAL INFORMATION CONCERNING THE SALES, TO ATTEND THE SALES AND TO BID.

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**Friday, August 13**  
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**MAGNAVOX**

**Fri.-Sun., August 13-15**  
*"APRO Convention Daily" publication*



**Friday, August 13**  
*Welcome reception "Black Cat Party"*



**Saturday, August 14**  
*Ribbon cutting champagne welcome*




**Saturday, August 14**  
*Gala cocktail reception "Saturday Night Live"*



**Saturday, August 14**  
*Keynote speaker, general session*



**Sunday, August 15**  
*President's breakfast & awards*

 **Thomson Consumer Electronics, Inc.**

**Monday, August 16**  
*Pre-banquet cocktail reception*



**Monday, August 16**  
*Awards banquet*

## Active dealer shares experiences

**K**elli Montgomery, APRO's new communications intern for the summer, edited this issue's Dealer Views, which focuses on one dealer instead of the usual two.

—John Gormley, editor

•••  
Keith Brown  
Vice president—operations  
ABC Rentals of San Antonio (6 stores)

**On current concerns:** "We've been spending a lot of time on taxes and finance. We're in the district with Henry B. Gonzalez, head of the (U.S. House) banking committee, and we're working with his staff trying to change his opinion of the rent-to-own industry. He's supposed to visit our store and talk to our customers soon."

**Ongoing battle with the IRS:** "We are fighting tax litigation. We have taken it all the way to the courts, and will probably get a decision on depreciation before the convention. Hopefully, whether they say income

forecasting or MACRS (Modified Accelerated Cost Recovery System) is the correct method, we'll get at least a ruling that will help us (the industry) with the Indiana problem—where they are trying to say we are a disguised credit sale."

**David vs. Goliath syndrome:** "It seems like for a small company we get audited an awful lot. We're a subchapter S corporation. They came in and said, 'OK, you're using a method of depreciation here that is wrong for this type of business and we suggest you go to a five-year MACRS.' We said, 'This has been approved and our accountants say it is the correct way.' So we decided to fight it."

**Industry support:** "We talked to APRO and they encouraged us to go along with the battle, to see how it goes. They are supporting us financially and educationally. Rent-A-Center's helping us out also. So, we've got a lot of people backing us on this tax situation. Hopefully, a decision

will come out that's good for us all."

**Dedication to the industry:** "Since I've been in this business 25 years and the partners have been in it this long, rent-to-own has been very good to us and we owe the industry something. That was originally why we wanted the APRO forum or the association forum to be able to train other people to be successful in this type of business and try to act as a whole body instead of different parts. APRO has done a good job, and I know they've got a never-ending battle. We just want to try and do our part."

**On starting out in the '60s:** "We opened our first store in San Antonio in 1967. Bud Holladay ran the company for about 10 or 12 years. I think he was the first president of APRO. Joe Parsons was one of the founding members of APRO. Now he and John Parsons are the majority owners of the company. We've got a lot of history."

**On long-term experience:** "We're probably the oldest rent-to-own company in the state of Texas and probably one of the top five (in longevity) in the nation."  
PR

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# HERMAN


## ELECTRONICS

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# Learn to spot warning signs

*Often when companies fail, managers don't know what hit them. If they had, things might've been different ...*

ALTHOUGH THE 1980S WITNESSED AN UNPRECEDENTED RATE OF ECONOMIC EXPANSION, BUSINESS FAILURES ROSE AT AN ALARMING RATE. ACCORDING TO DUN & BRADSTREET, FAILURES ROSE FIVEFOLD OVER THE 1970S TO MORE THAN 424,000.

THIS REPRESENTS MORE THAN 1 PERCENT OF AMERICAN BUSINESSES FAILING EACH YEAR, A TREND WHICH HAS BEEN MAINTAINED INTO THE 1990S.

And while there are no set milestones accompanying a company's slide toward insolvency, companies that fail actually begin to fail long before they finally close the doors. The problems seem to arise when management does not recognize the warning signs of failure, or simply fails to take action.

External causes such as the nation's economic condition may influence the rate of business failures, but most individual companies fail as a result of internal causes.

In fact, research conducted by Chicago-based Buccino & Associates found that 87 percent of management and turnaround experts attributed business failures to internal causes, while only 13 percent cited external factors as the main cause of the failure.

While the rental-purchase industry may presently be experiencing pressure from a number of external forces, such as increased legislative activity, withdrawal of major lenders from the market, and a change in the marketplace, the fate of individual RTO companies will ultimately depend on management's ability to identify signs of decline and react accordingly.

Buccino & Associates categorizes these warning signs in three observable dimensions—the income statement, the balance

sheet and the organization—and has identified some of the most obvious signs likely to surface within an RTO business in today's environment.

## The income statement

- **A downward trend in sales and earnings.** The most obvious signs of financial under-performance are visible here. Sales and earnings must be monitored monthly. A consistent decline for three consecutive months usually signals a situation requiring further investigation, unless there are known seasonal factors contributing to the downturn.

When a company experiences downturns in sales, the question becomes: How long should a company ignore these signs before accepting that it is more than "just the economy" and that there may be a deeper problem within the organization?

- **Missed sales forecasts.** A clear sign of financial under-performance is when a company consistently misses its sales forecasts.

A company is in crisis when it misses its sales objectives for three consecutive months. When confronted with a sales shortfall, management should attempt to determine if the shortfall is a result of an industry-wide downturn or if it reflects a loss of the market share.

- **Shifts in the product mix.** A good way

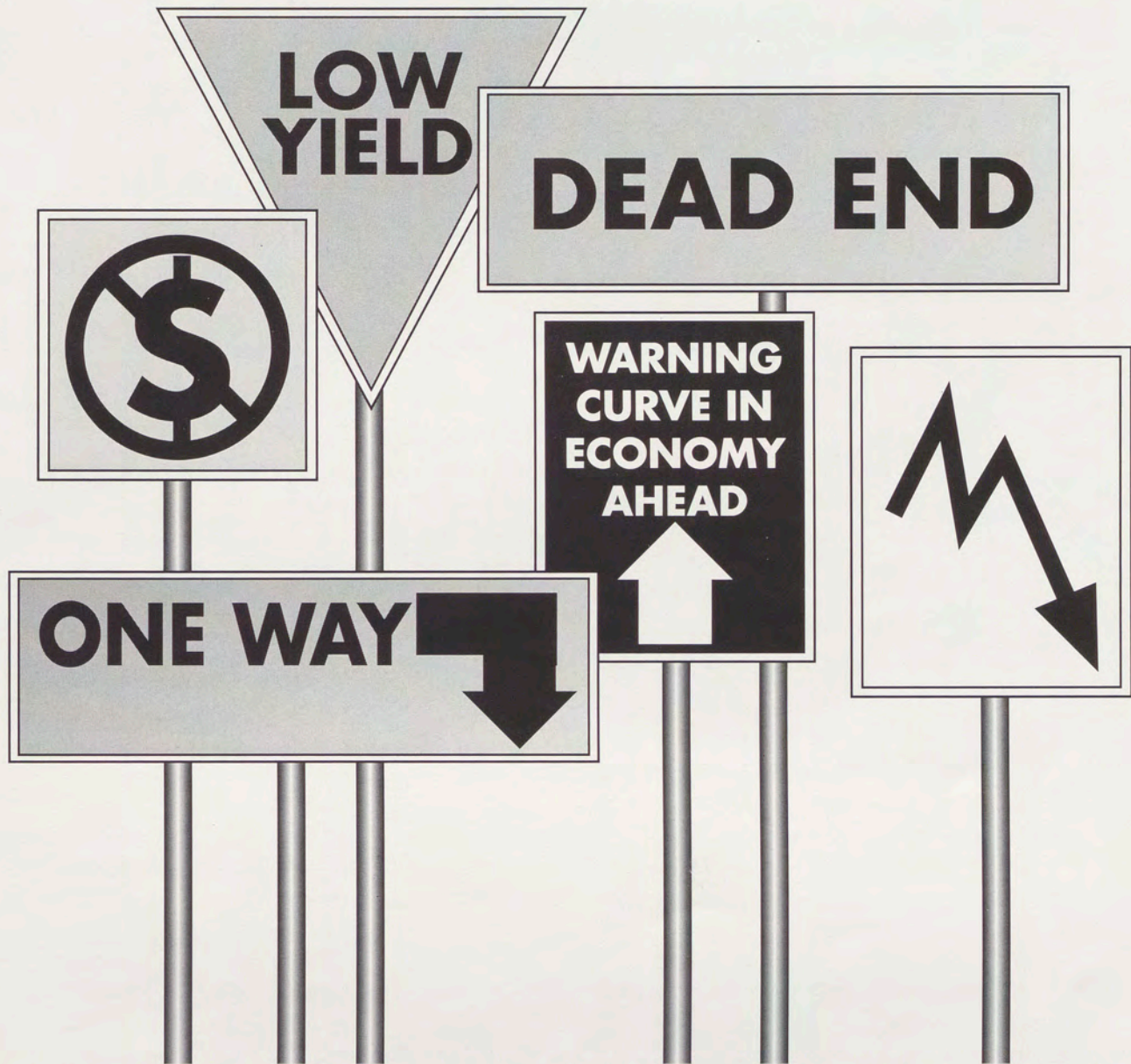
.....

BY

GERALD P. BUCCINO

AND

JOHN C. STUECHELI



Joel B. Mathews

for RTO dealers to understand changes in their sales revenue and earnings is to analyze their sales mix revenue.

Close monitoring of the product mix may identify a decline in sales of higher-margin products and an increase in sales of lower-margin products. Such analyses are useful in detecting changes in consumers' preferences and seasonal variations.

- **Shifts in the customer base.** Managers of RTO companies should closely monitor the composition of their customer base. Some may find that higher-risk customers are becoming a larger percentage of the customer base.

Management should study the demographic trends of its target market, and RTO companies may need to

rethink their marketing strategies by targeting new or previously untapped segments. Easier access to credit cards by traditional RTO customer segments has lessened the demand for some rental-purchase services.

- **Declining rate of new product introductions.** In many segments of the RTO industry, growth was historically fueled by the advent of new technologies with great mass appeal. But for a particular product segment, slowdown in innovation, coupled with near saturation of the market from existing technology, is likely to hamper demand.

- **Emergence of non-traditional competitors.** In recent years, RTO companies have experienced margin pressure from competitors in other distribution channels. Mass mer-

chandisers, catalog houses and warehouse clubs have successfully made inroads into the traditional customer base of RTOs.

This trend, in part, is because of mass-market competitors' ability to price merchandise very competitively while remaining profitable.

- **Lost volume discounts.** Another factor which may contribute to pressures on margins is the loss of "critical mass" in purchase volume. This may lead to a decrease or elimination of volume discounts from manufacturers.

Sourcing must be strategic with an eye toward consolidating suppliers where possible and aggressively negotiating terms.

These competitive channels plus a  
CONTINUED ON PAGE 20



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Continued from page 17

general decline in inflation have severely curtailed inefficient retailers' ability to simply "pass through" costs to the consumer.

### Balance sheet

• **Assets—the deterioration of receivables.** Troubled businesses usually experience a significant deterioration in the quality of their accounts receivable. Timely and reliable customer-account-aging reports are the key to the analysis of amounts receivable. An increase in past due receivables almost invariably indicates more serious strategic and financial problems.

These may be the result of a change in the credit-worthiness of the existing customer base, or a shift in the composition of the customer base. Customers with a greater risk of delinquency may be increasing as a percentage of the customer base.

A deterioration of receivables may also be the result of lax or inefficient

*Clearly, in the rental-purchase industry, the deterioration of receivables has an impact on a company's borrowing capacity.*

collection practices. Deteriorating receivables go hand-in-hand with decreased sales and cash flow.

Clearly, in the rental-purchase industry, the deterioration of receivables has a substantial impact on a company's borrowing capacity. Since financial institutions often lend to RTO dealers on the basis of cash flow, decreased cash flow resulting from lower demand or increasing receivables could diminish a company's ability to borrow money or finance new product purchases.

This process becomes a downward spiral; the less cash flow, the less ability to borrow, the less ability to purchase new merchandise, the less merchandise to rent and so on.

• **Assets—inadequate inventory**

**controls.** RTO dealers should monitor monthly, if not weekly, to detect problems in inventory levels and inventory composition.

Growing levels of unrented inventory may signify increased commitment of working capital, as well as higher carrying costs such as interest payments on the merchandise. And changes in the inventory composition may indicate shifts in customer-demand patterns.

This situation calls for specific sales and marketing actions. This type of analysis may suggest changes in the pricing of certain items to move "stale" inventory, may require replacement of damaged or worn-out inventory, and could improve stocking practices for high- and low-turnover items.

• **Liabilities—indifferent payables management.** Often ignored by management teams, payables management is an ideal control mechanism for RTO dealers. While payables to suppliers are the first obligation to get stretched in a cash crunch, they are the linkage to a critical constituency which can

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put an RTO dealer out of business. RTO management should evaluate whether their company has any "system" for determining priorities in paying vendors and whether the company optimizes vendor turns.

At a time when many manufacturers are looking to curtail their sales to RTO dealers because of perceived risks, payables management is too important to be managed by exception or delegated to a clerical staff. Conceived and managed properly, payables can become a source of cash for an RTO business.

• **Liabilities—an increase in debt-to-equity ratios.** An RTO dealer's debt-to-equity ratio is critical to the company's ability to borrow funds in today's lending environment. Those whose debt-to-equity ratio significantly deviates from the current "acceptable" range run the risk of losing access to financing.

In the present lending environment, an RTO's earnings before interest, taxes and debt amortization should exceed interest payments by more than 2 to 1 for the most recent year.

• **Changes in working capital management and composition.** Management should closely monitor the evolution and composition of its working capital. Deviations in working capital as a percentage of sales and of total assets indicate problems in the management of current assets and liabilities.

While management may believe working capital is at an "adequate" level, an "adequate" bottom line may hide significant imbalances in the individual components of the system.

Receivables may be too high because of high delinquency rates; inventories may be high as a result of slow turnover; and liabilities related to bank loans may be high related to an inability to pay off a debt. And yet, the resulting working capital figure may appear "adequate."

### Organizational issues

• **Key management turnover.** If key members of management start leaving the business, management should look at this as a warning sign.

Qualified managers often know the business is in a downward slide. They may have seen some of the signs and even alerted other members of management to the problems. But management is often unwilling to listen or unable to resolve the issues.

Key managers may have identified major problems in the business and want to jump before the ship sinks.

• **Top management narrows the focus to financial "fire-fighting."** A crisis may be imminent if top management is spending less time on day-to-day operations and more time on emergencies. For instance, management may be spending time responding to lenders' requests for more information and vendors' refusals to ship unless paid in advance.

These situations fester because management has not employed a regular review process and has not consistently communicated with its creditors.

• **Deteriorating lender support.** Since one of any company's most important constituencies is its lender,

CONTINUED ON PAGE 54



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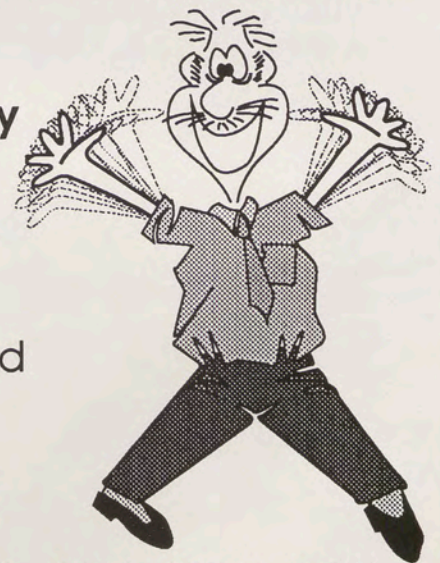
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*The 35th rental-purchase law in the U.S., West Virginia's, provides perhaps the most complex example to date*

# *Body of state law continues to grow*

THE RECENT PUBLIC HEARING IN WASHINGTON, D.C., IN MARCH HAS THREATENED TO OVERSHADOW ALL OTHER RENTAL-PURCHASE LEGISLATIVE ACTIVITY AROUND THE COUNTRY. THE HOUSE BANKING COMMITTEE WAS, AFTER ALL, ASKED BY INDUSTRY CRITICS TO OVERRULE ALL OF THE 35 STATE RENTAL-PURCHASE STATUTES THAT ARE NOW ON THE BOOKS.

.....

BY

ED WINN III

These are the state statutes that Ed Mierzwinski of U.S. PIRG called, collectively, "not worth a bucket of warm spit." A colorful comparison, perhaps, but a decided disservice to the men and women serving in those 35 state legislatures and typical of the arrogance evidenced by some D.C. consumer advocates.

Consumer advocate hyperbole aside, the facts are four more states enacted balanced rental-purchase statutes since last summer, and this is the eighth in a series of annual articles that provide an updated overview of RTO laws. (For a look at updated comparison charts, see pages 42-49.)

Two other states—Nebraska and Arkansas—amended their rental-purchase statutes in some fashion during 1993. One state, South Carolina, adopted a regulation to interpret the state law. And, bills are currently pending in five additional states with prospects for passage ranging from fair to excellent.

## **West Virginia**

Of all the rental-purchase statutes, the new West Virginia law is easily the most curious, complex and inconsistent. It was

the product of a five-year wrangle between the industry and the legal aid offices in Charleston, W.Va., home base for David McMahon, chief industry critic in the state.

The law itself was the product of a late-night compromise literally reached minutes before the legislature adjourned for the year. It is a law open to several interpretations and will either have to be polished by the next legislature or finally have its various meanings reconciled in the courts.

The West Virginia statute is a compromise between House and Senate versions of rental-purchase bills, which may explain some of the confusion and inconsistency that exists in the law.

For example, the statute actually has two names, "The Rent-To-Own Consumer Protection Act" and the "West Virginia Consumer Goods Rental Protection Act." This is the first time the term "rent-to-own" has been given legal recognition in a state statute.

The statute has a comprehensive definition scheme with considerably more detail than most other rental-purchase statutes. Ordinarily, precision in statuto-

ry language is useful to businesses and regulators alike. However, the verbiage and detail contained in the West Virginia law often confuses issues and, even when clear, amount to some degree of overkill in many cases.

The term "rental agreement" is very broadly defined and goes potentially far beyond the "four corners of the document." The statute states that the rental agreement includes the "bargain in fact" and elsewhere specifies that oral statements made by dealers and employees can both rise to the level of express warranty and become part of the agreement notwithstanding any attempt in the agreement to exclude such statements.

The definition of "rent-to-own agreement" differs in some respects from the definition typically seen in other states. For example, to qualify as a "rent-to-own" agreement, the contract must provide that "the consumer shall become or (have) the option to become the owner of the property for no additional fee, except as permitted by this chapter."

If the intent of the statute was to forbid use of balloon payment agreements in the state, the language fails. As the statute reads, a dealer could place a balloon-purchase option on rental agreements and exclude those transactions from coverage under this statute. It is entirely possible that the balloon need not even be greater than nominal, since the statute says "no additional fee," with no reference to nominality.

A literal reading of the statute would take transactions with any additional payment required, even the traditional \$1 out from coverage under the statute. Although the smaller the payment, the more open to challenge such a transaction would be.

Interestingly, there is no four-month distinction contained in the definition of "rent-to-own agreement." A rental agreement with a minimum term longer than four months could, in theory at least, be subject to the Consumer Leasing Act and the Truth-In-Lending Act if it satisfied the components of a credit sale under that law, as well as the state statute. A dealer constructing such a transaction would have to make three different and likely conflicting disclosures to the consumer.

Every other state statute uses the

four-month cutoff to distinguish rental-purchase transactions from leases covered by the Consumer Leasing Act. Even without raising the issue of compliance with three statutes, leases of most products with a minimum term longer than four months will have a double disclosure problem since they will be covered by both state and federal law. This may challenge business practices of some furniture lessors in the state.

A new definition contained in the West Virginia statute is that of "retail value." The definition seems to equate the term with fair market value, but goes on to define it as the price at which a willing seller and a willing buyer would exchange property for cash in the relevant market.

The complaint against the industry in West Virginia and elsewhere has often been that rental dealers' cash prices are much higher than other "real" cash prices in the marketplace, and such pricing is unfair and ought not be permitted.

Apparently, the intent in West Virginia is to require rental dealers to shop actual retail prices in the marketplace when determining retail value. The statute forbids the rental dealer from shopping other rental dealers. It likewise prevents rental dealers from setting up discount stores for used goods themselves and comparing prices.

A problem with the definition concerns the "market area" in which dealers must compare prices. This term is not defined and is a geographic region somewhere between the street where the store is located and the eastern seaboard. The notion of relevant market has been exhaustively litigated in the antitrust arena and may need to be defined by the courts in West Virginia.

The statute includes, for the first time in a rental-purchase statute, lengthy language concerning the creation of express warranties by rental dealers. The language in this section is imprecise and it will be difficult for dealers to know certainly in advance whether they are puffing or making express warranties when they discuss products with customers.

A warranty under the West Virginia statute is "any affirmation of fact or promise made by the dealer to the con-

sumer which relates to the consumer goods ..." Dealers in West Virginia will have to be more careful about discussing product characteristics and qualities to avoid falling into the gray area created under this statute.

The statute goes on to prevent rental dealers from disclaiming the Uniform Commercial Code's Implied Warranty of Merchantability or Implied Warranty of Fitness for a Particular Purpose. Therefore, these two implied warranties will become a part of every rental-purchase transaction in the state.

There is peculiar language in the section on warranties which requires rental companies to transfer existing manufacturers' warranties when consumers obtain ownership of the property. That notion is familiar to most dealers, but the language states that dealers must do so when consumers become responsible for maintenance of the property through ownership "or otherwise."

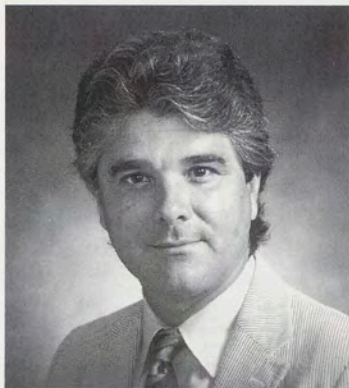
This language is so broad as to include skips and stolens and other breaches of the rental agreement where the customer refuses to return the property. Under all of these circumstances, in addition to whatever rights the dealer might have against the consumer, the defaulting consumer might be able to go against the manufacturer for breach of warranty even though the consumer had not lawfully obtained ownership of the property.

Moreover, if the dealer does not explain orally and in writing the details of the warranty and how it transfers, the dealer may have violated the statute even against a defaulting customer.

This language will cause operational difficulties since it requires dealers to furnish "orally and in writing," the details of warranties "that may apply to the consumer goods." Dealers will likely have to construct written forms explaining all warranties, and, in addition, implement policies to require employees to explain those warranties orally to consumers.

The statute goes on to prevent dealers, manufacturers or suppliers from excluding, modifying or limiting any warranties, any remedies or any measure of damages. Although it has not been a practice in this indus-

CONTINUED ON PAGE 25



## You probably won't believe this, but the **BBB's on our side**

ATTENTION ALL ACCUSED RENTAL BRIGANDS AND POLTROONS! THE TRUTH ABOUT YOUR BUSINESS BEGINS TO EMERGE. EVEN IN THE ROUGH AND TUMBLE WORLD OF WASHINGTON POLITICS, THIS IS WHAT FINALLY HAPPENS.

ON THE LAST DAY OF MARCH, HENRY GONZALEZ, CHAIRMAN OF THE U.S. HOUSE BANKING COMMITTEE, GAVE CONSUMER ADVOCATES FREE REIN TO PUMMEL THE INDUSTRY WITH MISREPRESENTATIONS AND DISTORTIONS IN AN ATTEMPT TO PORTRAY THE INDUSTRY, IN THE WORDS OF ONE WITNESS, AS "THE WORST CONSUMER ABUSE IN AMERICA."

.....

It was painful and shocking for dealers to hear such allegations made by consumer critics and political demagogues who do not like the rental-purchase business.

All industry supporters in attendance knew that the parade of consumer advocates were, at best, misinformed and, at worst, lying through their teeth. But the issue was then and remains how to prove it. Industry statistics are regularly shouted down as "doctored" or misleading.

What the industry has needed is an unbiased group to come forward with some truthful, verifiable, statistical information about the rental-purchase industry. Well, it just has. It is the Better Business Bureau, and it is really no particular friend of the business, having come out in 1990 with a Better Business Bureau Special Report warning consumers away from rental-purchase transactions.

But the Better Business Bureau also keeps statistics about consumer complaints and abuses around the country. The national office in Washington collects these statistics from all local Better Business Bureau offices, which log in consumer complaints as they are made. Those statistics lay to rest, once and for all, the falla-

cy of the evil of this business.

In 1991, the National Better Business Bureau office collected information on 2.3 million consumer complaints around the country. Out of those millions of complaints, 210 were about this business. That is right, 210 out of 2.3 million! That is .00899 percent of consumer complaints in 1991. The worst consumer abuse in America, indeed!

As an industry, we might well wish for no complaints at all, but given the nature of what it is that we do—weekly payments, consumer necessities, etc.—210 complaints in a year is not bad. It is hardly the national scandal that Washington opponents are trying to make it. We had fewer complaints than 197 other industries that the Better Business Bureau tracks.

Make no mistake: we will shortly let Henry Gonzalez in on this not-so-startling news. I wish the facts would dissuade Rep. Gonzalez from his chosen path of trying to regulate the industry out of business, but I don't think it will happen. As recently as June 16, Rep. Gonzalez was issuing press releases calling the business a "rip-off on low-income people."

Rep. Gonzalez will doubtless carry on about the 210 citizens that the industry is accused of abusing (out of 3 million-plus rental customers annually that the industry serves), and we may soon read a "fallen sparrow" story about how the federal government needs to step in and protect even the least among us. And, fed by the legal aid lawyers, expect Gonzalez to speak of the thousands of rental customers who surely have been abused, but who did not or could not complain about it.

The good news is that there are 435 legislators in the House and 100 in the Senate in Washington. That is right at 2½ legislators for every rental-purchase consumer complaint collected by the Better Business Bureau in 1991. Henry Gonzalez is going to have a hard time generating a head of steam for this issue with those kinds of numbers working against him. Reasonable minds in Washington will finally and appropriately conclude that Congress has more important matters at hand. **PR**

*Ed Winn is APRO's legal counsel and a veteran writer on RTO issues.*

.....

BY

ED WINN III

Continued from page 23

try for several years, manufacturers will not be able to limit warranties on rental property in the state.

There is a section concerning risk of loss which may be ambiguous. The section states that a rental dealer retains the risk of loss "until such time as the consumer receives the goods." If that section means that risk of loss passes upon physical delivery of the goods, there is no problem. If, however, it means that risk of loss passes when the consumer obtains ownership of the goods, there is, quite obviously, a serious liability problem for dealers and also a conflict in the statute since elsewhere there is language which expressly permits the sale of damage waivers or insurance.

The West Virginia statute adds a requirement that dealers give a consumer seven days' written notice before terminating the agreement. However, the statute goes on to allow dealers to attempt repossession during the seven-day period.

The section on reinstatement is ambiguous and can arguably be read to allow consumers to hold property for up to 90 days without making payments and still have reinstatement rights. This language may result in dealers having to file suit more often than has been the practice in the industry, since this section does clarify that reinstatement rights terminate when the dealer files suit, presumably for breach of contract, and the customer is served with notice of the suit.

However, no suit can be filed until the seven-day notice period has run. Most state reinstatement statutes clarify an initial period during which the customer can either make all payments due or return the property to the dealer.

When the property is returned, the consumer often has an additional term during which reinstatement can occur, sometimes as long as six months. The problem in the West Virginia statute is that it is not clear that there is an initial term during which the consumer can return the property quickly to get additional time to reinstate with the payment of back rent and other fees due.

The statute focuses on the notion of

when the rental agreement is terminated, although neither party is necessarily concerned with when the transaction is legally terminated. What the dealer wants is another rental payment or return of the property whenever a paid rental period expires. What the consumer wants is to have possession of the property for as long as possible and pay as little money as

possible. The statute does not clarify under what circumstances customers can use the property—and for how long beyond the paid rental term.

The statute does not clarify the difference, if any, between expiration of an agreement and termination of an agreement. The ambiguity is likely to cause an increase in lawsuits.

CONTINUED ON NEXT PAGE



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Continued from previous page

A literal reading of the statute would allow consumers to work the system two times for 59 days each before the dealer can finally terminate the agreement. The customer would, presumably, have to get caught up on payments after the first two-month period but could "float the deal" for that long twice, unless the dealer resolved to file suit.

It is further unclear whether reinstatement lasts beyond the 60 or 90 days until the rental dealer actually does file suit. One reading of the statute is that the only way a dealer can terminate a rental agreement is to file suit.

The statutory language requires the dealer to maintain the property and places no limits on that maintenance responsibility. As written, the statute arguably requires dealers to repair the property under all circumstances, including damage to the property from consumer negligence or even intentional abuse.

There are only seven disclosures required in a rental agreement (see page 47 chart). One of those is the rent-to-own charge, the equivalent of the lease service disclosure in Georgia, Minnesota and Connecticut. The problem with the disclosures is when and where they must be made. In addition to being made in the contract, the same disclosures must be made three other times:

- 1., on all price tags on all property displayed to any potential customer;
- 2., in any advertisement where the price for an item is shown; and
- 3., remarkably, "in any telephone communication with a potential customer."

The requirement that a dealer go through the litany of retail value, rent-to-own charge, rental period, number of periodic payments for ownership, amount of each periodic payment, total of all payments, and whether goods are new or used in all telephone conversations—even when customers call casually to inquire as to the availability or pricing of merchandise—is a clear example of consumer

protection overkill. It is going to cause operational nightmares for dealers in the state.

Dealers are hugely at risk under this section of the statute, because they can never know for certain who their employees are talking to on the phone.

There was an apparent attempt to place limits on "other charges" in the statute, but the attempt failed. The only fees that are limited in the statute are late charges, which are limited at the low level of the lesser of 5 percent of the payment or \$15 and a separate reinstatement fee at \$5 when the property has been returned. All other fees, as long as they are disclosed, are expressly permitted by the statute without any monetary limit as long as the charges are reasonably related to the costs.

A new feature in the West Virginia statute is the requirement that no consumer can cosign an agreement unless the cosigner lives in the house and "is expected to use the goods."

Peculiarly, dealers can require damage waiver fees in West Virginia, as opposed to offering them as an option, as long as they require them of all customers, although dealers cannot require that consumers acquire the damage waiver from "a particular insurer."

It is unclear whether this would include the rental company offering its own damage waiver. Presumably, dealers can, indeed, require damage waiver fees from all customers, unless customers can show coverage on the property through apartment renter's insurance or otherwise.

Another unique feature in the West Virginia statute is the limit on the initial rental period to twice an ordinary rental period—usually two weeks or two months. Dealers will not be able to have three-month minimums on furniture in West Virginia.

The early buyout formula is: retail value multiplied by total of rental payments remaining, divided by total of payments.

Other than the difficulty in explaining how this formula works to consumers, dealers don't believe the formula is going to work a particular hardship on store cash flow. Mathematically, if dealers use 240 percent of the retail value as their formula

## RTO Managers

**Are you worried about your future  
in the rent to own industry?**



Does your supervisor demand more BOR, but you haven't had any new product in six months? Every company has been affected by the lack of credit availability that is facing our industry. Not National Rentals. 1993 will be another record year for both profits and new growth. Our acquisition department has never been so busy. Good deals are everywhere and the only thing that will slow us down is the lack of quality store management. We are looking for store managers and regional managers who haven't forgotten that the way to financial success is through leadership and hard work. We want people who will have a direct impact on the success of our company. For the right people we offer the best bonus potential in the industry today. If you would like to be a part of our winning organization, you need to talk with us. All replies strictly confidential. Please submit your resume to:

Steve Scoggins  
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Cleveland, TN 37323

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CONTINUED ON PAGE 55

*Don Darling, asst. A.G. for consumer affairs, talks about*

AFTER A FIVE-YEAR STRUGGLE, WEST VIRGINIA RENTAL-PURCHASE LEGISLATION FINALLY PASSED INTO LAW THIS SPRING. WEST VIRGINIA'S NEW LAW, THE 35TH RTO STATUTE IN THE NATION, WAS TO TAKE EFFECT JULY 10.

•••••

(For more background, consult past issues of *Network News*. Also, see Ed Winn's page 22 article this issue, Ron Waters' page 50 column in April-May *Progressive Rentals* and page 5 dealer views from the same issue.)

Don Darling is West Virginia's assistant attorney general for consumer affairs. It's his job to interpret and enforce the state's rental-purchase law. Darling sees his office's role as two-fold:

1. Develop a controversial "formula" for determining retail value, which a 240 percent RTO price cap will be based upon.
2. Enforce the new law, despite its



*"On all the disclosures and the RTO price cap, it all goes back to the concept of retail value. And without a workable definition, it's been left to this office to devise through regulation. We'll have a lot of room for litigation and differing opinions."*

# *West Virginia's new RTO law*

confusing and vague language.

Roger Sharp, president of the West Virginia Rental Dealers Association; and John Gormley, APRO director of communications, interviewed Darling on May 25 in his Charleston, W.Va., office.

•••

**PROGRESSIVE RENTALS:** The act uses three different phrases, which are all defined—"rental agreement," "rental contract" and "rent-to-own contract." They seem to be used interchangeably, and in a haphazard fashion, throughout the bill. Which phrase should dealers go by?

**DARLING:** "Rental agreement" is

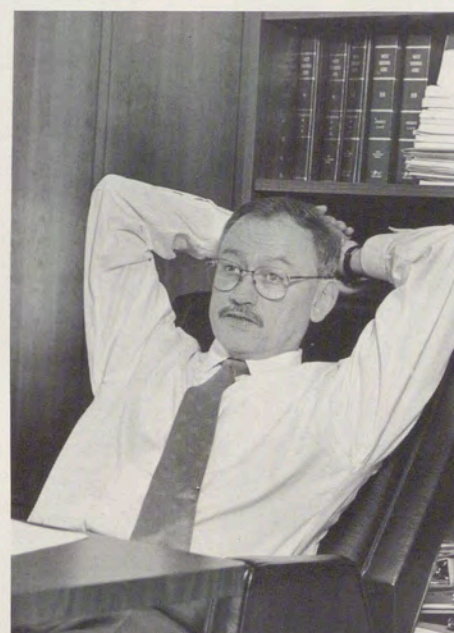
probably the key term because there are certain requirements that go to disclosure. The "rental contract" means the total obligation. Also, the context in which you're using (one of the phrases) can have an effect on any interpretation. I think probably "rental agreement" is the key term, depending on the context.

**PROGRESSIVE RENTALS:** "Rent-to-own transaction" is also referred to in the statute, but, unlike the other three key phrases, does not have its own definition. How are you going to define it; do you think it's going to be

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*"I think if that sort of situation comes up we would contact you. My philosophy has never been that enforcement must be done by ambush. We do work to try to smooth out problems with trade associations whenever they're interested."*



*"That's the problem we face when we talk about extra-territoriality. We have to look at each situation. Because of the way the facts fall down in a case, West Virginia law may well control a transaction, at least part of it, that took place in Ohio or Kentucky."*

Photography by Christopher Milleite

Continued from previous page

your role to interpret that?

**DARLING:** I think we're going to have to issue an interpretation or definition on that specifically. I think it can be defined without reference to the statute. I view the concept of the rent-to-own transaction as merely the sum of the parts that are described. Everything from the initial advertising, because of the disclosures that are required, to the requirements for collection—refunds, return of merchandise, all those things.

**PROGRESSIVE RENTALS:** Of all the other states that have a law, West Virginia is the only one that calls it "rent-to-own." The others call it lease-purchase. Beyond that, there are some significant differences in this law and the 34 other laws. One is the part of the act that would require dealers to disclose the retail value of merchandise. First of all, by what benchmark would they use? Would it be up to the individual RTO company; would each dealer have to comparison-shop retail prices for that sort of benchmark and, if so, how often?

**DARLING:** That's an area that's going to have to be addressed more in the future. I'll have to put you off on that because we've (the A.G.'s office) been given the responsibility to define that through regulation. So when the regulation comes out that will go a little farther toward answering your question specifically. In section 10 you'll see, in the last full sentence, it talks about "the attorney general shall adopt ..." and it goes on to say ... "the formula or method of ascertaining retail value." Obviously what that indicates is the definition of retail value really

isn't complete, or else there'd be no need for regulation to provide a formula for defining retail value. When that regulation comes out it will answer that. Now, this law will become effective July 10—90 days from passage. I would hope we would have the process started to promulgate the regulation before that time.

**PROGRESSIVE RENTALS:** In the interim, before the law takes effect, you will be looking at this particular part of the act, trying to see how things are working in the field?

*"I view the concept of the rent-to-own transaction as merely the sum of the parts that are described."*

**DARLING:** Yes. Trying to come up with a reasonable formula that would answer those questions, because for this to work it's going to have to be something that is going to be pretty easy to apply. The ideal regulation would be one that's not susceptible to different determinations by reasonable minds trying to apply the formula. And, it would have ease of application. That's a difficult task; the fact that it doesn't include it in the statute, and it's one we'll have to resolve. It's a big brain teaser.

**PROGRESSIVE RENTALS:** Will the formula be tied into the 240 percent RTO cap that's in the law?

**DARLING:** That's the benchmark from where you'll eventually work to the 240 percent.

**PROGRESSIVE RENTALS:** Just to clarify, you're talking about a formula for retail value?

**DARLING:** Yes. That's the key definition to figuring out these caps—the retail value. That's the amount on which the cap is figured. But if you don't know how you get retail value to begin with, then you don't know how you can get to your cap.

**PROGRESSIVE RENTALS:** The only thing we've been given so far is the definition of retail value.

**DARLING:** Right. Retail value itself is fair-market value—the price at which goods of like type quality or quantity would change hands between a willing seller and a willing buyer. What will sell for cash in a particular market area at the time the rent-to-own agreement (is made), which price does not include any applicable sales or use taxes. So that definition is fine, but you have to find some way in order for enforcement and compliance to both be easy. You'd have to have a very simple formula that could produce a result that would be easily determined.

**PROGRESSIVE RENTALS:** The attorney general's office doesn't want to have to go around mapping out every market in the state, and neither do West Virginia dealers. There's a practical problem there for either side to try to keep up with.

**DARLING:** Without a formula, this definition (of retail value) would seem to indicate that you'd need an economist to establish the retail price, and that would require a lot of empirical data. That may be one of the most difficult points in implementing this law for the purposes of enforcement. Because if we don't have an

CONTINUED ON PAGE 39

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- Dedicated to Resolving the R.T.O. Finance Crisis

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*Start date of APRO's blockbuster August convention, Right on the Money!, makes*

# *Friday the 13th a lucky day*

PULL UP UNDER THE LIGHTED CANOPY IN FRONT OF BALLY'S, AND THE FUN BEGINS. THE ANNUAL APRO CONVENTION, AUG. 13-17 IN LAS VEGAS, IS THE BEST EXCUSE EVER FOR MIXING BUSINESS WITH PLEASURE.

Bally's, your convention headquarters hotel, is fresh from a \$37 million facelift and expansion project that offers everything you could need or want under one roof. Its large rooms and convention facilities are award winners, and recreational facilities include a 24-hour casino, six restaurants of every flavor, a 40-store shopping mall, health spa, tennis courts and Olympic-sized pool.

Show up early—you can register as early as noon on Thursday—and get to know the city and its environs, or just relax around the pool before the rest of the gang gets there.

## Links, links, links

The APRO convention offers every possible "link," from golf links to business links with other dealers, suppliers and manufacturers, support industries and, through your association, with lawmakers.

Start off early Friday morning with the APRO/Joe Eason Golf Tournament. Buses depart Bally's at 6:50 and 7:10—that's a.m. If you're still dozing at 8, the shotgun start will jolt you into action at the Legacy Golf Club, Las Vegas' ultimate golfing experience. Renowned golf course architect Arthur Hills created a jewel in the desert with the Legacy, where the Penncross bent-grass greens are hand-mowed daily to accentuate the course design and create the best putting possible.

A fine experience for all levels of golfers, the tournament is sponsored by Whirlpool.

## It's show time!

The show of the year in the rental-purchase industry is the APRO trade show, and this year's is sold out! Sold out to exhibitors, that is. One-hundred-fifteen companies have reserved 182 booths so they can vie for your business. Admission to APRO's trade show is complimentary for those in the rental-purchase industry.

The kickoff ribbon-cutting ceremony is noon on Saturday, with complimentary champagne, courtesy of Hart Furniture Company. Exhibit hall hours are noon to 5:30 p.m., Saturday; 1 to 5 p.m., Sunday; and 9 a.m. to 1 p.m., Monday, with a cash lunch available each day.

Along with established exhibitors, companies new to the show this year include Accent Computer, M&A Technology and Felton Eddings, exhibiting RTO computer systems; Management Promotions, a rental-purchase automobile program; Masco Home Furnishings, ready-to-assemble upholstered furniture; and Silver Oaks (leather furniture). Also new to the APRO convention is The Prevention Group, featuring high-tech A-160 home security monitors.

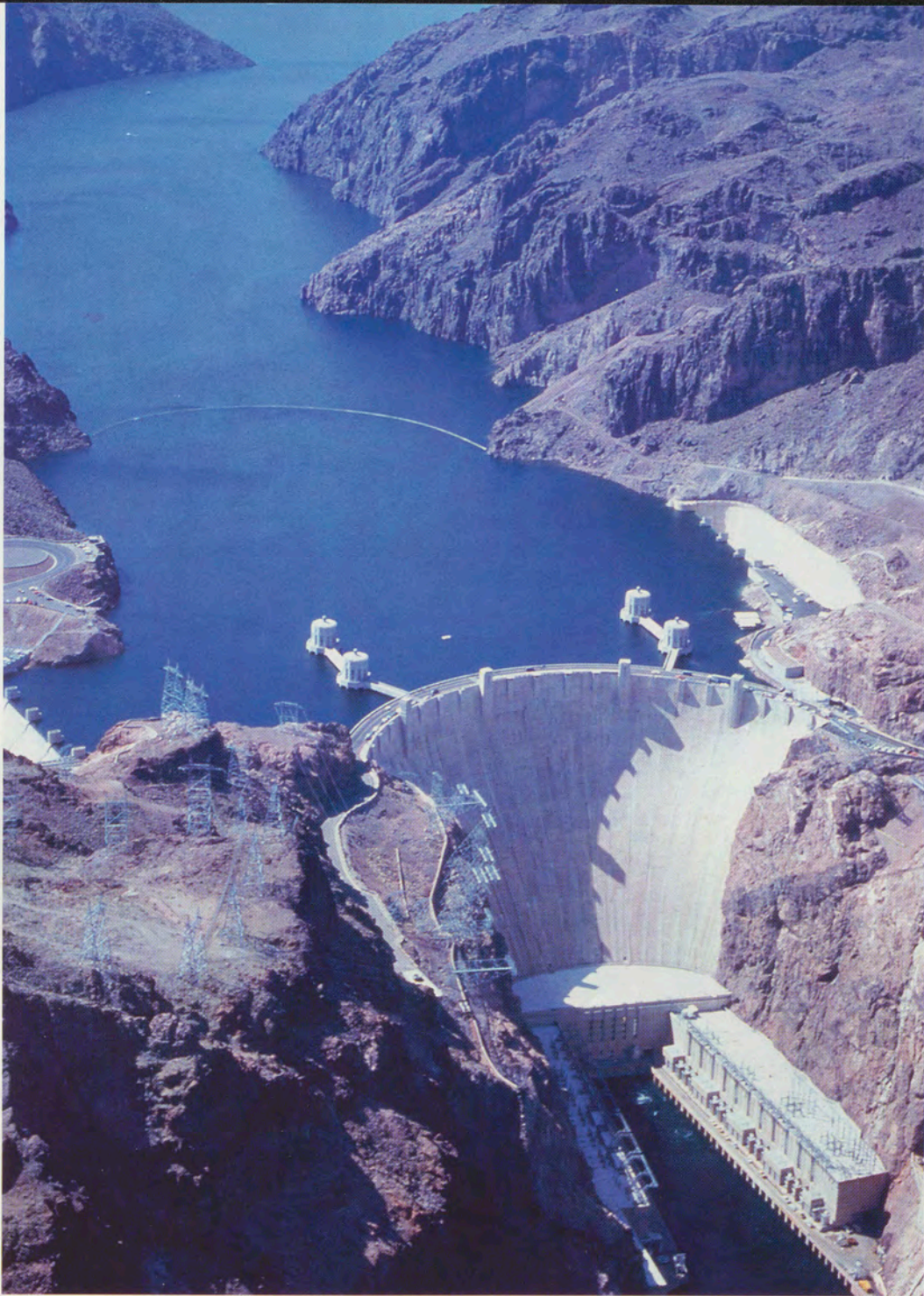
This custom-made RTO shopping mall will include 41 furniture exhibitors, 15 electronics manufacturers, eight appli-

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BY

BARBARA

STOOKSBERRY



*Hoover Dam is a favorite side trip of visitors to Las Vegas who want a break from the night life.*

ance manufacturers, seven computer software and hardware vendors, 15 jewelry exhibitors, seven furniture accessories companies and 18 special services exhibitors.

The APRO booth this year will be set up in the entry foyer and will be an information source on all member services, with displays by companies that carry particular programs: Allnet Communication Services, long-distance service; Business Alliance Control Specialists, overnight pack-

age delivery; and Mass Marketing Insurance Consultants, group health care.

Stop beneath the "APRO Member Benefits" banner for information on all member benefits and services available to association members, as well as publications, standard rental agreements and T-shirts.

The APRO trade show is the best chance you'll have all year to interface with vendors who want to do business with you. It's your annual

opportunity to find out what's new and improved, as well as to provide much-needed feedback to manufacturers and service providers on making their products better serve you.

### School's in session

Educational seminars are another big draw of an APRO convention. Our planners are expert at bringing together speakers from inside and outside the rental-purchase industry—to

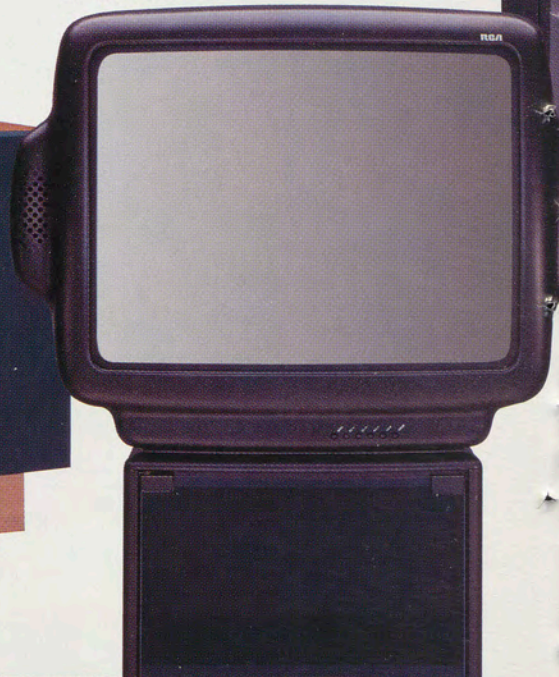
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# Brand Power

25" Stereo TV

27" Stereo  
Console TV

27" Stereo TV



Portable Stereo/  
Cassette Player



20" Stereo TV



25" Stereo Console TV



Hi-Fi VCR

Nipper

Chipper



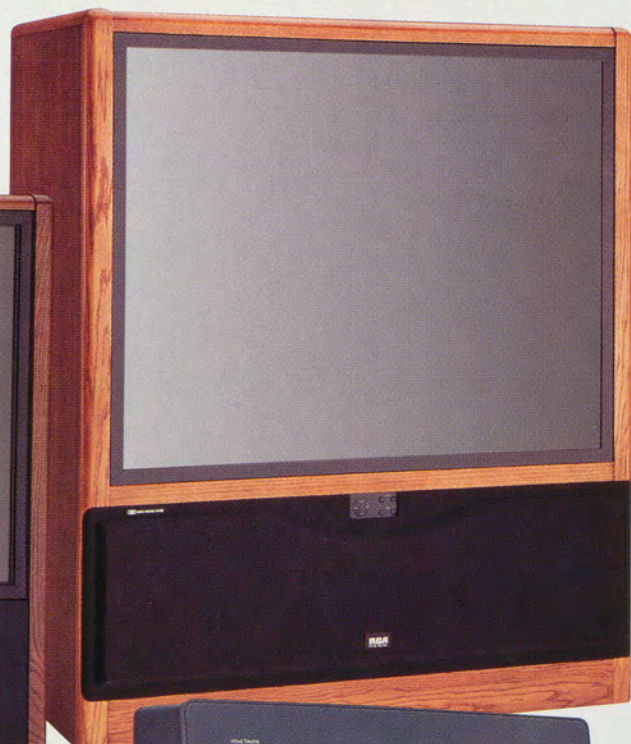
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52" Projection Stereo TV



46" Projection Stereo TV



31" Stereo Console TV



Full-Size VHS Camcorder



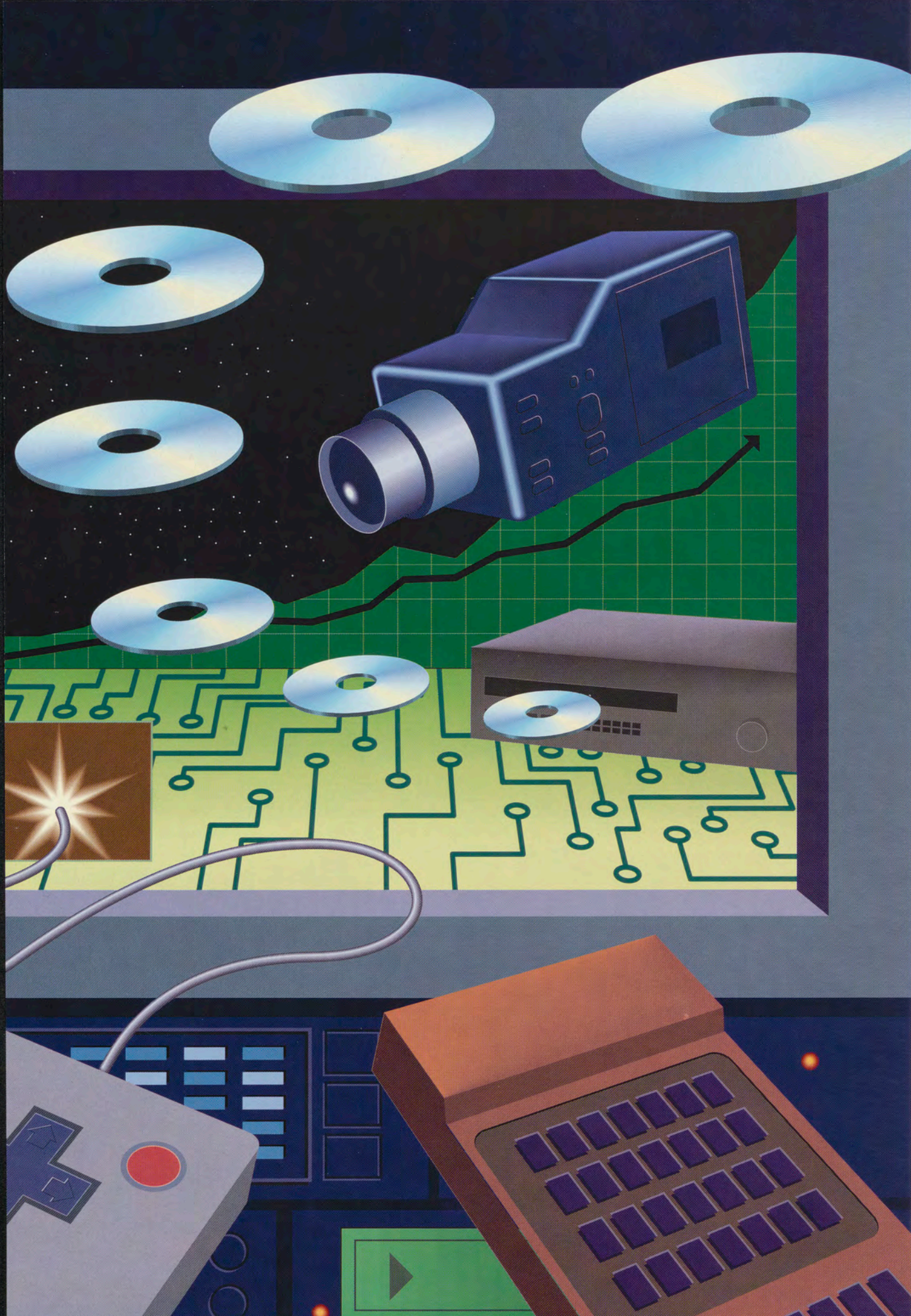
35" Stereo TV

**RCA Brand Power**—Not just another slogan. There's some real "power" to back up the facts that consumers and rent-to-own customers prefer RCA Consumer Electronics.

- **RCA Brand Power**—We are the leader in consumer awareness and brand preference in color TV's and VCR's.
- **RCA Brand Power**—More consumers come back to RCA than any other brand.
- **RCA Brand Power**—Renters' demands in home electronics are clear: More choice. More product. More features. Better performance. And in enough sizes, shapes and prices to satisfy the largest and most sophisticated rental market—ever!
- **RCA Brand Power**—And there's more! With our long standing quality reputation you can rely on our dependable service and timely, efficient distribution.

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 P.O. Box 24459  
 Louisville, KY 40224-0459  
 or FAX (502)425-3441

TV screens are measured diagonally.



*This year's rental-purchase market's more feature-driven*

# Audio/video comes of age

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AND AS THE TREND TOWARD BIGGER TVs, SMALLER STEREO SYSTEMS, MULTIPLE-DECK CD PLAYERS, AND HOME THEATERS WITH SURROUND SOUND CONTINUES TO GROW, RTO CUSTOMERS ARE CALLING FOR MORE FEATURES AND BENEFITS THAN EVER BEFORE.

In the TV category, the "bigger-is-better philosophy" still applies, with a shift noted toward projection-screen TVs, additional features—and a rise in customer knowledge of the products.

"I've found that over the last year or so more people have come into rental a lot more aware of what is out there. They are becoming quite smart of what's in the industry and what they are looking for," says Howard Fell, president and owner of Rainbow Rentals.

"They don't want just a plain TV anymore. They are looking for specific features now," adds Fell, who says customers have gotten smart to what they want out of life. "People are searching for something to make their lives easier. They know exactly what they want out of their TVs—surround sound, stereo, bigger screens. People are looking for advanced features. They are not just everyday TV watchers anymore."

And as the demand for specific features grows in the rental-purchase industry, so does the customers' preference for larger-sized TVs, according to Steve Matthews of Mitsubishi Electronics.

"Some time back it may have been considered a 20-inch industry but it certainly is not that any longer."

Matthews says he has seen tremendous

growth in the 26-inch to 27-inch TV category, as well as in the 35-inch table and console models, and predicts combinations will continue to do well.

"There is one customer who wants hi-fi, and second and third customers who want more home theater," says Matthews, who credits greater competition and mainstream pricing with the high-end technology now available in the rental-purchase industry.

"These things combined are finally bringing it closer to where the real market is in rent-to-own," says Matthews.

Hitachi's Matthew Hauck says the greatest market in RTO lies in the renting and selling of large-screen, projection TVs; turning what used to be a tremendous hassle to rental dealers into a top item in the industry.

Hauck says his company is doing most of its business in 46-inch TVs, with some rentals in 50-inch, although truck size and ease of delivery are factors.

But Ken Gay, the director of major accounts for Philips Consumer Products, says his customers are continuing to buy the "meat and potato" products like the 19- and 25-inch table models. He adds that he's seen a growth area in the 19-inch TV/VCR combination unit.

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BY

KELLI

MONTGOMERY

Continued from previous page

"The combination of the TV and VCR—the all-in-one machine—seems to be very popular right now," confirms Gay, who also believes projection TVs are on the rise in the RTO industry.

"The bigger-is-better philosophy is doing well. The cabinets have gotten a little bit smaller and the 41-inch and 46-inch screen sizes seem to be doing quite well," Gay says.

Fell says the rental-purchase industry has seen the biggest growth of television rentals in the 35-inch and 30-inch categories, as well as in the larger home theater TVs.

"We recently received an RCA home theater with a 46-inch screen that went unbelievably fast. As soon as you come in you notice the features on it," says Fell, who just began renting the home theater units in his Rainbow Rental stores.

Harry Elias, executive vice president of sales & marketing of JVC America, says combinations and home entertainment centers are industry favorites this year.

"They're doing a combination of

both your audio system as well as your video system. It includes your VCR, color TV, your stereo system—the full package," says Elias.

Fell adds that customers are going for features and more advanced products these days, and not just the basics anymore.

"They are telling you what they want nowadays. They want to have something with audio/video in-and-outs, surround sound, and they want to know ... if it is compatible with their stereo system and VCR," says Fell, who doesn't think pricing is an issue with customers now.

"They are more interested in what they are going to get for their dollar—more features, better sound and larger screens."

He says people are renting bigger TVs now because of economic considerations. "It's easier to go rent the TV then to spend \$2,000 to \$3,000 for a TV right now," Fell concludes.

Not unlike TVs today, the bigger-is-better mentality has applied to stereos in the rental business for years.

"The bigger the speakers and the bigger the amplifiers, the better," according to Hitachi Home Electronics' Hauck.

And while the traditional rack systems remain popular in the rental-purchase industry, a newcomer has landed on the market with a bang. "Minisystems have really exploded in the last two years on the retail side and now it's becoming the same thing in rent-to-own," says Hauck.

He adds that as consumers are seeing the minisystems advertised in retail, they are starting to come into the rental stores and ask for them. "This fall, virtually all rental stores that didn't have a minisystem before will have at least one or two this year," predicts Hauck.

He says the most popular feature on the minisystem this year is the built-in changer, a three- to seven-disk changer built into the system. "Until now, it has been primarily single play, but with the price of the changer coming down, customers are really going for them," Hauck explains. "In fact, the number of units in single CDs being sold is going down as the changer numbers are going up."

Fell agrees the minisystems are hot items this year, and says people are looking for systems with clarity, more wattage and more power. "The

CONTINUED ON PAGE 40



CP4764

*A top-notch Magnavox picture housed in beautiful contemporary-style furniture, this model features "Smart Window" Picture-In-Picture, MTS stereo sound system, Universal Remote control and a programmable 120-minute sleep timer.*



VR9260

*A new Magnavox 4-head VCR that incorporates variable slow motion, on-screen menu control and 46-function infrared VCR/TV Universal remote control with battery.*



RP2781

*This new Magnavox 27-inch table model features color "Smart Window" Picture-In-Picture, channel captioning, channel guide and parental control - all operated by its 'smart' Universal remote control.*

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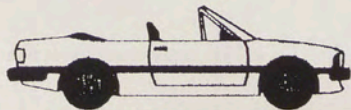
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# ASSOCIATION OF PROGRESSIVE RENTAL ORGANIZATIONS

## APRO '93: RIGHT ON THE MONEY!

### ANNUAL CONVENTION & TRADE SHOW

AUGUST 13-17  
BALLY'S  
LAS VEGAS



#### Registration Form

Please print or type, one form per registrant & spouse/guest. (Please note: Personal guest is defined as "significant other" or immediate family member.) You may photocopy this form. A written confirmation will be sent to you from the APRO office prior to convention. If your registration is received in our office after Aug. 4, it will be treated as an on-site registration, and no confirmation will be sent.

Last name: \_\_\_\_\_ First name (for badge): \_\_\_\_\_  
 Spouse/Guest—Last name: \_\_\_\_\_ First name (for badge): \_\_\_\_\_  
 Company name: \_\_\_\_\_  
 Company mailing address: \_\_\_\_\_  
 City/State/Zip: \_\_\_\_\_  
 Business phone: \_\_\_\_\_ FAX: \_\_\_\_\_ First-time attendee?  yes  no

#### Full Registration

(Includes seminars, general session, meal functions and complimentary entrance to Exhibit Hall)

- APRO Member
- Non-Member
- Spouse/Guest

#### Postmarked

	By 7/13	After 7/13
Member	\$275	\$325
Non-member	\$375	\$425
Spouse/Guest	\$175	\$225

#### Daily Registration

- Friday Only (Welcome Reception)
- Saturday Only (General Session, Gala Cocktail Reception & complimentary entrance to Exhibit Hall)
- Sunday Only (Seminars and complimentary entrance to Exhibit Hall)
- Monday Only (Seminars, Awards Banquet & Dance and complimentary entrance to Exhibit Hall)
- Seminars Only (Entrance to Seminars Only, Sunday & Monday, and complimentary entrance to Exhibit Hall; this badge will not allow entrance into social functions)
- Exhibit Hall Only (complimentary entrance to exhibit hall Saturday, Sunday, Monday; this badge will not allow entrance into seminars or social functions)

	Member	Non-member
Friday Only	\$25	\$25
Saturday Only	\$125	\$150
Sunday Only	\$75	\$100
Monday Only	\$150	\$175
Seminars Only	\$175	\$200
Exhibit Hall Only	N/C	N/C

#### Meal Functions

If you or your spouse/guest do not sign up for full, spouse/guest registration but wish to attend a meal function, individual tickets must be purchased for admission. ONLY THOSE WITH FULL REGISTRATION BADGES, SPOUSE/GUESTS REGISTRATION BADGES, DAILY BADGES FOR DATE OF FUNCTION, OR TICKETS WILL BE ADMITTED TO MEAL FUNCTIONS.

- Welcome Reception, Friday .....\$25
- Gala Cocktail Reception, Saturday .....\$40
- Reception & Awards Banquet, Monday .....\$70

#### Spouse/Guest Programs

IMPORTANT: If spouse has purchased Spouse/Guest Registration, the cost of these programs are included, but we need a count on those planning to participate. You must pre-register to participate!

##### SPOUSE PROGRAM No. 1

Please check here if you are attending Las Vegas Gaming Session/Lunch on Saturday and are purchasing Spouse/Guest Full Registration.

Check here and enclose \$55 if you plan to attend Las Vegas Gaming Session/Lunch and are NOT purchasing Spouse/Guest Full Registration.

##### SPOUSE PROGRAM No. 2

Check here you plan to attend Mt. Charleston Tour on Monday and are purchasing Spouse/Guest Full Registration.

Check here and enclose \$55 if you plan to attend Mt. Charleston Tour and are NOT purchasing Spouse/Guest Full Registration.

##### GOLF TOURNAMENT

\$55 per player. (Please note: Each player must fill out APRO Convention Registration Form.) Golf Tournament is NOT included in Full Registration.

Name of Player: \_\_\_\_\_ Handicap or Average Score \_\_\_\_\_

Requested Team Pairing (if possible): \_\_\_\_\_

Add all fees due and enter total here ...

Total \$ \_\_\_\_\_

My check is enclosed and made payable to APRO

Charge my  VISA  MasterCard  American Express

Acct. # \_\_\_\_\_ Exp. date \_\_\_\_\_

Signature \_\_\_\_\_

Print name as it appears on card \_\_\_\_\_

Mail, with payment, to:  
APRO, 6300 Bridgepoint Pkwy.,  
Suite 305, Austin, TX 78730-5016  
Phone (512)794-0095; FAX (512)794-0097

#### Registration

Non-family members of the same firm must complete a separate registration form.

#### Badges

Only individuals registered and badged may attend convention events or meetings. Your name and company will appear on your badge exactly as you indicate on this form.

#### Fees

Save by signing up for full registration and take advantage of early registration for additional savings. Fees must accompany completed registration form. Credit card registrations will be accepted by phone or fax until Aug. 4, 1993. No phone or fax reservations will be accepted after Aug. 4. If mailing your registration, please allow time for form to be received in the APRO office by Aug. 4. REGISTRATIONS WILL BE TAKEN ON SITE.

#### Inquiries

Any questions, call (512)794-0095; fax registrations to (512)794-0097.

#### Cancellations

All cancellations or changes must be received in writing in the APRO office, postmarked by July 13, 1993. A processing fee of 20 percent of the total registration will be charged for all cancellations. After July 13, no fees will be refunded.

#### Hotel Reservations

DEADLINE, JULY 12! Make your reservations by mailing enclosed card or by calling 1-800-833-3308. PLEASE NOTE: Hotel reservations must be received by Bally's by July 12, 1993, to guarantee the special APRO rate of \$78 single/double. Be sure to mention you are with APRO to get the special convention room rate.

#### Airline/Auto Reservations

APRO is offering discounted rates to Las Vegas. Call, or have your travel agent call, Conventions In America at 1-800-929-4242. Refer to APRO #680, or call Delta at 1-800-241-6760 and refer to File#P0457. Auto rental: Alamo Rent-A-Car, 1-800-732-3232; ID #77274, Rate Code GR.

#### FOR OFFICE USE ONLY:

MID# \_\_\_\_\_  
 Date rec. \_\_\_\_\_ Date ent. \_\_\_\_\_  
 Ck.# \_\_\_\_\_ Amt. Pd. \_\_\_\_\_  
 Pre \_\_\_\_\_ On site \_\_\_\_\_

easy-to-apply formula that can be used in every case and based upon a reasonable sampling of empirical data, then it becomes your expert against my expert if there would ever be any litigation. That's one of the key points in the law.

**PROGRESSIVE RENTALS:** Do you see any other problem areas?

**DARLING:** Everything else is straightforward, more or less. I'm sure if you study the act under a microscope you'll find some other areas of ambiguity that are capable of having different interpretations. But, primarily, everything else seems straightforward. If you look at some of the other requirements—warranties, unconscionability, disclaimers of warranties, implied warranties. Everything else is pretty easy to figure. We have a benchmark for that and that benchmark is the general history of consumer protection laws, which have similar provisions. If you look at a lot of the specific requirements, they are taken, in whole or in part, from our state consumer protection act, which has added on other consumer protection laws—all of which have a pretty well-developed history of judicial interpretation. So you can make a pretty good guess whether your conduct is going to be acceptable.

**PROGRESSIVE RENTALS:** Still, you'd have to admit there's a lot of room for interpretation in this law.

**DARLING:** On all the disclosures and the RTO price cap, it all goes back to the concept of retail value. And without a workable definition, it's been left to this office to devise through regulation. We'll have a lot of room for litigation and differing opinions.

**PROGRESSIVE RENTALS:** Do you consider your role as that of closing any gaps in the law as it's written?

**DARLING:** I think that's what we try to do. If not a gap in the law at least to try and fine-tune the law through regulations.

**PROGRESSIVE RENTALS:** Besides your office's overall enforcement of the law itself, there are basically two other things in the statute that were put in specifically to give the attorney general's office expanded authority. One is what we've been talking

about—the power to define retail value. The other, apparently, is a provision that says you can bring civil suit against dealers.

**DARLING:** Article eight. There are similar provisions in the consumer protection act.

**PROGRESSIVE RENTALS:** The industry has maintained that if it's covered in the consumer protection act already, why single out RTO operations if they must comply under existing law anyway? Rent-to-own dealers want to be treated on the same level as any other business.

**DARLING:** The official parts here are basically the same: the ability to seek an injunction and a civil penalty. And, in limited circumstances, to seek a refund of excess charges as those charges are defined in the act.

**PROGRESSIVE RENTALS:** Knowing that your office is short-handed and this is a new law, we'll make an offer of help. If you should have complaints against a rent-to-own dealer in this state, if you don't mind telling the West Virginia association about it, we'll talk with the dealer about it.

**DARLING:** Thank you for that offer. We may take you up on it. I hope we don't have to.

**PROGRESSIVE RENTALS:** We don't expect any problem dealers out there, and certainly all member companies of the West Virginia Rental Dealers Association and APRO run good operations, but we've worked too hard on this to have somebody foul it up. We'll be happy to police ourselves to the extent that it is appropriate and helpful.

**DARLING:** I think if that sort of situation comes up we would contact you. My philosophy has never been that enforcement must be done by ambush. We do work to try to smooth out problems with trade associations whenever they're interested.

**PROGRESSIVE RENTALS:** One area in which the West Virginia law differs from other state RTO laws is advertising disclosures, particularly when it comes to telephone conversations between store personnel and potential customers. Is it true that once a potential customer mentions price, store personnel are obligated to go through the whole laundry list of disclosures?

CONTINUED ON PAGE 56

## LOW-COST RENTAL AGREEMENT FORMS

APRO now has low-cost rental agreements that comply with all state laws for regulated and unregulated states as well as computerized and non-computerized stores. (They are compatible with RSSS, Rental Information Systems, High Touch and Ideal Software.) These forms are three-part, NCR, 8 1/2 x 11 and work on continuous-feed printers.

To order forms for your store, simply fill out the form below or call Laurie Derton at 512-794-0095. Please specify the state(s) you need. For next-day delivery, call before 1 p.m. (eastern time).

The cost per form is 15¢ for members and 20¢ for non-members. Min. order: 500. ✂

Yes, I would like to order \_\_\_\_\_ forms.

The total amount for this order is \$ \_\_\_\_\_

Name \_\_\_\_\_

Phone ( ) \_\_\_\_\_

Company \_\_\_\_\_

APRO Member? \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_ Zip \_\_\_\_\_

My Check is Enclosed

Or Charge My:

MasterCard

American Express

Visa

Account Number \_\_\_\_\_

Exp. Date \_\_\_\_\_

Signature \_\_\_\_\_

**Clip Out and Mail To:**  
APRO  
Association of Progressive  
Rental Organizations  
6300 Bridgepoint Pky. #305  
Austin, TX 78730-5016  
(512) 794-0095  
FAX (512) 794-0097

minisystems not only save space but give you the same sound as the larger ones because of the way technology is. They are making everything smaller with more power, and I've found that more people are looking for something that will fit in their home a little bit better."

But David David, general manager of Full-O-Pep in Indiana, says while his stores have been quite successful with the smaller shelf systems, the rack systems have done much better overall this year.

"Last year, we got into the shelf systems, and they have been popular," says David, "but the full-size rack system with the bigger wattage—Kenwood, Pioneer and Fisher—have done extremely well this year."

Michael Shoemaker, vice president of marketing for Sanyo Fisher, says while the traditional rack systems and the audio/video systems continue to do well, he has noticed a shift in the market.

"What we're seeing is greater suc-

*While there is the potential for unique technologies to impact the market, it is still unclear if new technologies such as the Digital Compact Cassette (DCC) will represent much of a change in the rental environment.*

cess with shelf systems, both as stand-alone shelf system and also incorporated into an audio/video system," Shoemaker explains.

Shoemaker also says he has seen significant placement with components and receivers for the first time ever. "It's a kind of mix-and-match approach to the audio business, primarily related to the ability for the rental dealer to tailor a package that he can rent as a package. They're not renting them just as components," says Shoemaker.

He adds: "For the most part, they appear to be packaging them in a way that's unique to their environment and unique to their market."

Shoemaker points to a new product on the market by Fisher called the Studio 24 CD Management system.

"It plays on what the customer already accepts in CDs and doesn't

force new technology on the market." Shoemaker predicts while there is the potential for unique technologies to impact the market, it is still unclear if new technologies such as the Digital Compact Cassette (DCC) will represent much of a change in the rental environment.

However, the DCC will likely tap into the rental-purchase market some time in the future, according to Ken Gay of Philips Consumer Products. "This is on the horizon," says Gay.

Also, the Dolby ProLogic surround sound which involves four to five speakers with different types of audio sources has been very popular in the home theater arena, according to Steve Sherman of Techwood.

"You get four- or five-channel surround sound, most specifically with VCR tapes that are played on hi-fi VCR laser discs," says Sherman, whose

## Who's Who in rental-purchase audio/video

*The distinctions between audio and video product lines have been blurred over the past several years. That's why we've created the audio/video, or A/V, category of supplier. All are either APRO Associate Members (\*), advertisers (+) in APRO publications, or APRO convention exhibitors (Y).*

### Y Audiofile

1144 N. Grove St.  
Anaheim, CA 92806  
(714) 666-0313

### + Amarillo Hardware Co.

501 S. Grant St.  
Amarillo, TX 79172  
(806) 376-5311

### \*Y+ Curtis Mathes Corp.

One Curtis Mathes Pkwy.  
Athens, TX 75751  
(903)675-2292  
Electronics

### \*+ Goldstar Electronics

1000 Sylvan Ave.  
Englewood Cliff, NJ 07632  
(201)816-2000  
Electronics

### \*+ Herman Electronics

1365 NW 23 rd Street  
Miami, FL 33142  
(305)634-6591  
Electronics

### \*Y+ Hitachi Home Electronics

3890 Steve Reynolds Blvd.

Norcross, GA 30093

(404)279-5600  
Electronics

### \*Y+ JVC Corp.

41 Slater Dr.  
Elmwood Park, NJ 07407  
(201)794-3900  
Audio-video product lines

### \*Y+ Mitsubishi Electronics

5665 Plaza Dr.  
Cypress, CA 90630-0007  
(714)220-4721  
Audio-video product lines

### Y+ Panasonic Company

1854 Shackelford Court  
Norcross, GA 30093  
(404) 926-6630  
Audio product lines

### Y Paramount Home Theater

Product, Inc.  
1195 Columbia St.  
Brea, CA 92621  
(714) 257-3080  
Electronics

### \*Y+ Philips Consumer Electronics

One Philips Dr.  
Knoxville, TN 37914-1810  
(615)521-4711  
Audio-video product lines

### \*Y+ Philip M. Bell Co.

118 Northeast Dr.  
Loveland, OH 45140  
(800)686-0102  
Audio-video product lines

### \*Y+ Quasar Co.

1325 Pratt Blvd.  
Elk Grove Village, IL 60007-5796  
(708)228-6366  
Audio-video product lines

### \* Samsung Electronics America

1355 Terrell Mill Rd.  
Marietta, GA 30067  
(404)956-0800  
Audio-video product lines

### \*Y+ Sanyo Fisher (USA) Corp.

21350 Lassen St.  
Chatsworth, CA 91311  
(818)998-7322  
Audio-video product lines

### \*Soundesign Corporation

400 Plaza Two  
Jersey City, NJ 07311  
(201)434-1050  
Audio-video, furniture product lines

### Y Speaker Exchange

1250 E. Hillsborough Ave.  
Tampa, FL 33604  
(813) 237-4800  
Audio product lines

### \*Y+ Thomson Consumer Electronics/RCA

600 N. Sherman Dr.  
Indianapolis, IN 46201  
(317)267-5838  
Audio-video product lines

### Y+ Welton/Techwood

2109 Luna Road Suite 100  
Carrollton TX 75006  
(214)243-5602  
Audio-video product lines

### \*Y+ Zenith Electronics Corp.

1000 Milwaukee Rd.  
Glenview, IL 60025  
(708)391-8231  
Audio-video product lines

company has begun testing a new product on the market—carpet-covered speakers for use in home, cars and trucks.

"They seem to be more durable, very big, and can handle a lot of power," says Sherman.

In the area of VCRs, the four-head models versus the two-head variety are becoming better received, and rental customers are leaning toward more advanced features. "With VCRs, everyone wants to get something that has got stereo sound," says Rainbow Rentals' Fell.

"They're looking for the DBX Dolby sound, on-screen programming, and now they've got VCR Plus out—which allows you to program numbers into your remote and onto your VCR, automatically setting it to start and turn off."

Hitachi's Hauck agrees. The four-head VCR is the standard in the industry these days, and thinks Stereo MTF is making its way into the rental business as well.

"About one in four VCRs at retail is Stereo MTF—stereo hi-fi, and it's getting that way in rental also. More and more customers are aware of and asking for MTF," Hauck reports.

Philips' Gay says one reason the four-head VCR is doing better than the older two-head is because it provides additional features, such as slow motion. But mostly, it's become more affordable.

Across the board, camcorders continue to maintain their popularity—both in short- and long-term rentals within the RTO industry.

"We always have a very long list for camcorders, especially around graduation," says Fell, who thinks the VHS full-size models tend to rent best.

"The VHS full size is the most popular with the 12-to-1 zoom and the super-imposed feature, where you can put something on the screen. Like during Valentines Day, you can put a heart and superimpose everything on it," Fell explains.

Full-O-Pep's David David points out that, unlike the retail industry where the 8-millimeter camcorders are the industry leaders, the rental industry caters more to the demand for bigger models.

"It seems like with us, we are still doing very well with the full-size cam-

order, the VHS, and we have also done extremely well with the VHSC, which is the smaller version of the VHS and competes with the 8-millimeter," he says.

David adds: "It just doesn't seem in our market, yet, that the 8-millimeter has taken off."

With home entertainment centers on the rise—combining entire stereo, VCR and TV systems—a product tying all the units together into one remote control is a valuable commodity, according to Jeff Wolf of Herman Electronics, who says the universal remote is the big thing on the market these days.

"It seems to be really popular in the rent-to-own industry this year," says Wolf, vice president of a company that specializes in parts and accessories.

Wolf also points to a new three-in-one remote control by Sony that he says has done well in RTO businesses this year.

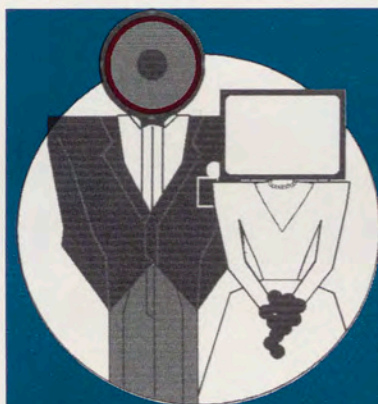
"The best thing about it is that it has a Sony name and is priced very well," Wolf says.

On the horizon, wonderful new products are in store for electronics customers in the RTO market. For instance, the JVC 16x9 screen, Philips Compact Disk Interactive (CDI), and the Digital Compact Cassette (DCC)—which have been extremely successful at the retail level—are expected to fully tap into the rental-purchase industry soon.

Harry Elias of JVC America says early indications of the 16-by-9 screen which, in essence, is a 55-inch television set, have been good in the RTO market.

Philips' Gay says the Philips CDI has also gained early success within the rental community. The CDI provides the ability to interact with CD information. "We have an entire encyclopedia on one disk. The joystick on the remote hand unit allows you to interact with the machine. You can make the machine go forward and backward. Or, you can pull up specific information on screen and interact with it." **PR**

*Kelli Montgomery is APRO's communications assistant.*



**WHEN AUDIO AND VIDEO GOT MARRIED THEY HAD TO RUSH RIGHT BACK TO WORK AND DIDN'T HAVE TIME FOR A HONEYMOON!**

Please join us in the belated celebration of their marriage (and meet their twins "Home" and "Theater") at the

**APRO '93: RIGHT ON THE MONEY!**  
**Annual Convention & Trade Show**  
**Friday, August 13th - Tuesday, August 17th**  
**Bally's Hotel, Las Vegas**



**Booth #**  
**612/614**

**Home Theater Products, Inc.**  
Exclusive worldwide licensee of audio/video products for

**Paramount Pictures**  
™ & © 1992 by Home Theater Products, Inc.

# RTO CONTRACT DISCLOSURES

Model AL\* AR\* CO\* CT DE FL\* GA\*\* IA\* ID IL\* IN\*

1	Total cost of rental ownership.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Statement that the total cost does not include other charges.	<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>			<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
3	Amount and of timing of payments.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	"No equity" statement: (no ownership until total of payments made).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Explanation of risk or loss during term of agreement.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Statutory limit on consumer's risk of loss (fair market value, cash price, purchase option price or other limit)	<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>			<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
7	Description of the leased property	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	Whether property is new or used.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	Description of any damages to property.	<input type="checkbox"/>											
10	Cash price of property (or fair market value).	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
11	Total initial payment due before delivery or consummation.	<input type="checkbox"/>			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12	Disclosure of any early buy-out options or formulas.	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	Early buy-out option required by statute.	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14	Early buy-out formula set by statute.	<input type="checkbox"/>			<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>				
15	Explanation of maintenance and service responsibilities during agreement.	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16	Disclosure of any manufacturer's warranty coverage after ownership.	<input type="checkbox"/>			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17	Requirement to transfer any unexpired manufacturer's warranty after ownership.	<input type="checkbox"/>			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18	Identities of the parties and date of the transaction.	<input type="checkbox"/>				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19	Statement that consumer may terminate at any time without penalty.	<input type="checkbox"/>			<input type="checkbox"/>								
20	Explanation or notice of reinstatement rights of consumer.	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21	Disclosure of amounts of "other charges."		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22	Explanation of purpose of "other charges."		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23	Limit on "other charges" — must be "reasonably related to the cost."											<input type="checkbox"/>	
24	Statement concerning how agreement can be terminated.				<input type="checkbox"/>		<input type="checkbox"/>						
25	Cost of lease service (difference between rental- or lease-purchase price and cash price).				<input type="checkbox"/>			<input type="checkbox"/>					
26	Statement that the transaction is regulated under state law.			<input type="checkbox"/>					<input type="checkbox"/>				
27	Statement of any fees or taxes payable by lessee.												
28	Statement of amount of any lessee liability at end of lease term (compare with termination penalty in long-term lease).												
29	Description of any insurance required of lessee.												<input type="checkbox"/>
30	Description of any security interest retained by lessor.	<input type="checkbox"/>											
31	Stmnt. that consumer is not required to buy insurance from merchant.							<input type="checkbox"/>					
32	Any in-home collection charge must be disclosed and separately agreed to.							<input type="checkbox"/>					
33	Description of any insurance paid for by lessor.	<input type="checkbox"/>											
34	Statement that consumer not required to purchase damage waiver fee.												
35	Statement re: default notice.												
36	Statement re: consumer warranties.												
37	Statement re: rights if rental agreement sold as negotiable instrument.				<input type="checkbox"/>								
38	Statement re: liability damage waiver.				<input type="checkbox"/>								
39	Statement regarding written receipt												

\* Rental-purchase agreement  
 \*\* Lease-purchase agreement  
 \*\*\* Consumer lease

1 Lessor required to provide maintenance

Charts for comparison only. For details of any state's rental-purchase requirements, refer to the statutes.



# SPECIFICATIONS ON FEES & PAYMENTS

Item	Model	AL*	AR*	CO*	CT	DE	FL*	GA**	IA*	ID	IL*	IN*	KA	KY*
<b>1</b> Late charges/reinstatement fees/delinquency charges permitted:	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Statutory amount (per missed payment):				\$5/monthly \$3/weekly	Lessor of 5% or \$5	Greater of 10% or \$3	\$5 max.	\$5 max.	\$5/monthly \$3 weekly		\$5/max	\$5/monthly \$1-3/weekly		
Grace period on late fees, etc.														
<i>Monthly</i>				5 days	5 days	2 bus days	Yes		5 bus days		3 days	5 days		
<i>Weekly</i>				3 days	3 days	2 bus days	\$5 max.		3 bus days		3 days	3 days		
<b>2</b> Separate reinstatement fee permitted. Statutory fee limits:	Yes		Yes	Yes \$5 max.	Yes	Yes \$5 max.	Yes	Yes	Yes \$5 max.			Yes \$5 max.	Yes	Yes
<b>3</b> In-home collection fees permitted. Statutory fee limits:		Yes	Yes	Yes**	Yes**	Yes			Yes**		Yes	Yes		
<i>Monthly</i>				\$10 (3 times per 6 mo.)	\$5 (3 times per 6 mo.)				\$7 per trip (limit 6 per 6 months)			\$10		
<i>Weekly</i>				\$10 (3 times per 6 mo.)	\$5 (3 times per 6 mo.)				\$7 per trip (limit 6 per 6 months)			\$10		
<b>4</b> Processing fees permitted. Statutory fee limits:	Yes		Yes	Yes \$10	Yes \$10 per agreement	Yes	Yes \$10	Yes	Yes* \$10 per agreement		Yes	Yes \$10	Yes	Yes
<b>5</b> Delivery charges permitted. Statutory fee limits:	Yes	Yes	Yes	Yes \$15-5 items or less \$45-over 5 items	Yes	Yes	Yes	Yes	Yes \$10 (\$25-over 5 items)	Yes	Yes	Yes	Yes	Yes
<b>6</b> Redelivery fee after repossession permitted.	Yes	Yes	Yes		No	Yes	Yes	Yes	Yes			Yes	Yes	
<b>7</b> Fees or penalties for return of the merchandise or termination of the agreement permitted.	No	Yes	Yes	No	Yes	No	No	No	No		Yes	Yes	Yes	Yes
<b>8</b> Security deposit permitted.	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes		Yes	No	No	Yes
<b>9</b> Final "balloon payments" permitted.	Yes	Yes	Yes	No	No	Yes	Yes	Yes	No		No	Yes	Yes	Yes
<b>10</b> Requiring insurance to be purchased from RTO dealer.	No	No	No	No		No	No	No	No		No	No	No	No
<b>11</b> Limits on rent-to-own pricing														
					RTO price cannot be greater than 2 times cash price				RTO price cannot be greater than 2 times cash price					
<b>12</b> Optional damage waiver fee permitted by statute  Statutory fee limits:	Yes			Yes grtr. of 10% of \$2 weekly; 10% or \$5 monthly	Yes 7.5% of payment									
<b>13</b> Optional leased property insurance permitted by statute  Statutory fee limits:	Yes			No	Yes 5% of payment									

Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
	\$5 max.	Greater of 5% or \$2	Lesser of 5% or \$5	Greater of 5% or \$3	\$5 max	Greater of \$3 or 5%	\$5/monthly \$3/weekly		Greater of \$3 or 10% weekly or greater of \$5 or 10% monthly		\$5 min \$3/weekly		\$4/monthly \$2/weekly			\$2 - \$5	Greater of \$20 or 5% weekly or monthly		Yes	Lesser of 5% or \$15 weekly or monthly	
		5 days 2 days	1 month 1 week	3 bus days 2 bus days			5 bus days 3 bus days		7 days 3 days	5 days 2 days			5 bus days 3 bus days			7 days 7 days	10days 10days		Yes	5 days 3 days	
			No	Yes \$5 max.	Yes \$5 max.		Yes \$5	Yes	Yes \$5 max.	Yes	Yes		Yes					Yes	Yes	Yes \$5	
	No	Yes	Yes	Yes	Yes			Yes	Yes	Yes**	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
	Yes	\$5 \$5		\$7 (3 times per 3 mo.)							\$10 (3 times per 6 mo.)		\$7 per trip (limit 3 per 6 months)						Yes		
				\$7 (3 times per 3 mo.)									\$7 per trip (limit 6 per 6 months)						No		
Yes		Yes, \$15 per customer	No	Yes	Yes		Yes \$10 (\$25-over 5 items)	Yes	Yes	No		Yes	Yes \$5	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Yes		Yes, \$20 for 3 items or less	Yes \$15-5 items or less; \$45-for over 5	Yes \$15-5 items or less; \$30-for over 5	Yes	Yes	Yes \$10 (\$25-over 5 items)	Yes	Yes	No	Yes \$10 per agreement	Yes	Yes \$15-5 items or less; \$45-for over 5	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Yes			Yes	Yes	Yes	Yes		Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Yes		No	No	No	Yes			No	Yes	Yes	Yes	No	No	No	No	Yes		Yes	No	No	
Yes			Yes	No	Yes			Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Yes		No	No	No	No		Yes	Yes	No	No	Yes	Yes	Yes	Yes	No	No		Yes			
No		No	No	No	No			No	No	No	No	No	No	No	No	No	No	No	No	No	
		RTO price cannot be greater than 2 times cash price	RTO price cannot be greater than 2.2 times cash price						RTO price cannot be greater than 2 times cash price	RTO price cannot be greater than 2 times cash price										RTO price cannot be more than 2.4 times retail value	
		Yes greater of 5% or \$2 for weekly; 5% or \$5 monthly		Yes required by statute 10% of payment				Yes			Yes 5% of payment									Yes	
								Yes			Yes									Yes	

# ADVERTISING DISCLOSURES

Model AL\* AR\* CO\* CT DE FL\* GA\*\* IA\* ID IL\* IN\* KA KY\* LA MA\*

**1 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 AND Reference to RTD of a specific item	Reference to or statement of a rental rate OR Reference to RTD of a specific item	Rental purchase agreement	Reference to or statement of a rental rate OR Reference to RTD of a specific item	Reference to or statement of a rental rate AND Reference to RTD of a specific item	Reference to or statement of a rental rate OR Reference to RTD of a specific item	Reference to or statement of a rental rate OR Reference to RTD of a specific item	Rental rate due at start of lease of a specific item	Reference to or statement of a rental rate OR Reference to RTD of a specific item	Reference to or statement of a rental rate AND Reference to RTD of a specific item	Reference to or statement of a rental rate OR Reference to RTD of a specific item	No advertising requirements in statute	Reference to or statement of a rental rate OR Reference to RTD of a specific item	Reference to or statement of a rental rate OR Reference to RTD of a specific item	Reference to or statement of a rental rate AND Reference to RTD of a specific item	Reference to or statement of a rental rate OR Reference to RTD of a specific item	Reference to or statement of a rental rate OR Reference to RTD of a specific item
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**Disclosures** – must make all of the following disclosures:

(A)	ID transaction as an RTO agreement	ID transaction as an RTO agreement	ID transaction as an RTO agreement	ID transaction as an RTO agreement	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 an RTO agreement		ID transaction as an RTO agreement	ID transaction as an RTO agreement	ID transaction as an RTO agreement	ID transaction as an RTO agreement	ID transaction as an RTO agreement
(B)		Total amount and number of payments necessary to acquire ownership		Total amount and number of payments necessary to acquire ownership	Total amount and number of payments necessary to acquire ownership		Amount of initial payment due	Total amount and number of payments necessary to acquire ownership	Total amount and number of payments necessary to acquire ownership	Total amount and number of payments necessary to acquire ownership			Total amount and number of payments necessary to acquire ownership	Total amount and number of payments necessary to acquire ownership	Total amount and number of payments necessary to acquire ownership	Total amount and number of payments necessary to acquire ownership
(C)	No equity statement		No equity statement	Ownership Options	No equity statement	No equity statement	Cost of lease services	No equity statement	No equity statement	No equity statement		No equity statement	No equity statement	No equity statement	No equity statement	Secured deposit applicable
(D)	(Yellow Pages exception)						Total of all payments necessary to acquire ownership		(Yellow Pages exception)			(Yellow Pages exception)				num amount and time of payment. Poss extra c @ leas

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

**Disclosures**

(E)																Total payments necessary to acquire ownership
(F)																Each buy form purch agree
(G)																No ec stater

MD*	ME	MI**	MN*	MO*	ND	NE*	NV	NY**	OH**	OK*	RI*	SC*	SD	TN*	TX*	UT	VA**	WA	WV
Reference to or statement of rental rate AND Reference to RTD of a specific item	Reference to or statement of rental rate OR Reference to RTD of a specific item	Rental rate due at start of lease	Reference to or statement of a rental rate OR Reference to RTD of a specific item	Reference to or statement of a rental rate OR Reference to RTD of a specific item	Reference to or statement of a rental rate AND Reference to RTD of a specific item	Reference to or statement of a rental rate OR Reference to RTD of a specific item	Reference to or statement of a rental rate AND Reference to RTD of a specific item	Reference to or statement of a rental rate OR Reference to RTD of a specific item	Amount of initial payment	Reference to or statement of a rental rate AND Reference to RTD of a specific item	Reference to or statement of a rental rate OR Statement that no initial payment due	Reference to or statement of a rental rate OR Reference to RTD of a specific item	Reference to or statement of a rental rate AND Reference to RTD of a specific item	Reference to or statement of a rental rate OR Reference to RTD of a specific item	Reference to or statement of a rental rate OR Reference to RTD of a specific item	No advertising requirements in statute	Reference to or statement of a rental rate AND Reference to RTD of a specific item	Reference to or statement of a rental rate OR Reference to RTD of a specific item	Price of the item
ID transaction as an rental-purchase	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 an RTO agreement	ID transaction as an rental-purchase	ID transaction as an RTO agreement	ID transaction as an RTO agreement	Amount of initial payment due	ID transaction as an rental-purchase	ID transaction as a lease	ID transaction as an RTO agreement	ID transaction as an RTO agreement	ID transaction as a rental purchase agreement	ID transaction as an RTO agreement		ID transaction as an RTO agreement	ID transaction as an RTO agreement	
Total amount and number of payments necessary to acquire ownership	Total of payments necessary to acquire ownership		Total of payments necessary to acquire ownership	Total amount and number of payments necessary to acquire ownership	Total amount and number of payments necessary to acquire ownership	Total amount and number of payments necessary to acquire ownership	Total amount and number of payments necessary to acquire ownership	Total amount and number of payments necessary to acquire ownership	Total amount and number of payments necessary to acquire ownership	Total amount and number of payments necessary to acquire ownership	Total initial payment due	Total 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 of payments necessary to acquire ownership	Total of payments necessary to acquire ownership	All seven of the disclosures required in the rental agreement
No equity statement	No equity statement	Cost of lease services	No equity statement	No equity statement	No equity statement	No equity statement	No equity statement	Availability of early buyout ownership options	Total number of payments necessary to acquire ownership	No equity statement	Security deposit, if applicable	No equity statement	No equity statement	No equity statement	No equity statement		No equity statement	No equity statement	
(Yellow Pages exception)		Total of all payments necessary to acquire ownership		(Yellow Pages exception)	(Yellow Pages exception)						number, amounts and timing of payments						(Yellow Pages exception)	(Yellow Pages exception)	
								Multiple items and rate information			Amount of lease payments and rate necessary to acquire ownership of a particular item								
								New or used			Total of payments necessary to acquire ownership								
								ID transaction as rental-purchase agreement			Early buyout formula rental purchase agreement								
								No equity statement			No equity statement								

# REINSTATEMENT RIGHTS

Model AL\* AR\* CO\* CT DE FL\* GA\*\* IA\* ID IL\* IN\* KA KY\* LA MA

## 1 Weekly Payments

2 days; if property returned, then 21 or 45 more; depends on rental payments made	2 days; then 30 more days if returned	2 business days; then 30 more days if returned	60 days; then 120; depends on payments	Upon return of property 30 to 180 days; depends on payments made	Upon return of property 60 to 180 days; depends on payments made	60 days	21 days	60 days	2 days then 21 or 45 more; depends on rental payments made	7 days; then 30 more days if property returned	60 days	2 days then 21 or 45 more; depends on rental payments made	2 days; then 30 more days if property returned	2 days then 21 or 45 more; depends on rental payments made	No statute reinstatement
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## 2 Monthly Payments

5 days; if property returned, then 21 or 45 more; depends on rental payments made	5 days; then 30 more days if returned	5 business days; then 30 more days if returned	60 days; then 120; depends on payments	Upon return of property 30 to 180 days; depends on payments made	Upon return of property 60 to 180 days; depends on payments made	60 days	90 days	60 days	5 days then 21 or 45 more; depends on rental payments made	15 days; then 30 more days if property returned	60 days	5 days then 21 or 45 more; depends on rental payments made	5 days; then 30 more days if property returned	5 days then 21 or 45 more; depends on rental payments made	No statute reinstatement
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## 3 Statutory "cure period" after notice before suit can be filed

Monthly

Weekly

									5 business days						
									3 business days						

# IN-STORE PRICE TAG DISCLOSURES

MICHIGAN	NEW YORK	OHIO	MARYLAND	MINNESOTA	CONNECTICUT	MAINE	DELAWARE	W. VIRGINIA
Cash price	Cash price	Cash price	Number and amount of payments required for owners	Cash price	Cash price	Number and payments needed for ownership	Cash price	Retail value
Amount of a periodic payment	Amount of a periodic payment	Amount of a periodic payment	Total rent-to-own price payment	Amount of a periodic payment	Amount of a periodic for ownership	Total amount of payments payment	Amount of a periodic	Rent-to-own charge
Number of payments for ownership	Number of payments for ownership	Number of payments for ownership	New/Used	Total cost	Total cost		Total cost	Rental period
	Total cost	Total cost						Number of periodic payments required for ownership
								Amount of each periodic payment
								Total of all payments
								New or used

MD*	ME	MI**	MN*	MO*	ND	NE*	NV	NV	OH**	OK*	RI	SC*	SD	TN*	TX*	UT	VA**	WA	WV
2 days then 15 then 21 or 45 more; depends on rental payments made	Upon return of property 45 to 180 days; depends on payments made	21 days	7 days, then 60 to 180; depends on payments	21 days	2 days then 21 or 45 more; depends on rental payments made	3 business days if property returned, then 30, 60, or 180 days, depends on rental payments made	7 days; if property returned, then 30, 60, or 180 days, depends on rental payments made	21 days	2 days; then 30 more days if property returned	21 days	21 days	60 days	2 days then 21 or 45 more; depends on rental payments	2 days; if property returned, then 30, 60, or 180 days, depends on rental payments made	7 days; then 30 more days if property returned	2 days then 45 to 90 more depends on rental payments made	2 days then 21 or 45 more depends on rental payments made	5 days, then 21 or 45 days; depends on rental payments made	60 days to 90 days; depends on payments made
5 days then 15 then 21 or 45 more; depends on rental payments made	Upon return of property 45 to 180 days; depends on payments made	90 days	7 days, then 60 to 180; depends on rental payments made	90 days	5 days then 21 or 45 more; depends on rental payments made	5 days if property returned then 30, 90, or 180 more; depends on rental payments made	15 days; if property returned, then 30, 60, or 180 days, depends on rental payments made	90 days	5 days; then 30 more days if property returned	90 days	90 days	60 days	5 days then 21 or 45 more; depends on rental payments	2 days; if property returned, then 30, 60, or 180 days, depends on rental payments made	15 days; then 30 more days if property returned	5 days then 45 to 90 more depends on rental payments made	5 days then 21 or 45 more depends on rental payments made	10 days, then 21 or 45 days; depends on rental payments made	60 days to 90 days; depends on payments made
3 business days before notice can be sent, then 5 business days 3 business days			7 days 7 days										5 days 5 days						7 days 7 days

## 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.

### COLORADO

- 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 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.

### MAINE

- Do not sign this agreement before you read it.
- You are entitled to a copy of this agreement

### DELAWARE

- Do not sign this lease-purchase agreement before you read it or if it contains any blank space.
- You are entitled to a completely filled in copy of this agreement.
- Under the Law, you have the right to exercise an early purchase option which will result in a lower cost to acquire ownership

### NORTH DAKOTA

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



# Survival guide

EVERY YEAR, APRO CONVENTIONS GET BIGGER AND CROWDS GET THICKER, YET NOBODY OFFERS TO HELP THE AVERAGE RENTAL DEALER WHO MUST NAVIGATE SAFELY THROUGH ALL THE SPIELS, DEMO BOOTHS, SEMINAR CLASSES AND HYPE OF CONVENTION.

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For example, what do seminar leaders and appliance salesmen mean by all the vague and confusing terms they throw about so loosely? Some sound like they might have something to do with rental, but we can't be sure. You know, stuff like "marketing," "cutting edge," and "interfacing."

Attend one of those seminars on corporate planning or hit a few sales booths on a slow afternoon and you're likely to walk away wondering what it was you just heard.

But rest easy. Here is all you need to know. This is your *PR* guide to surviving convention.

•••••

BY

BUD HOLLADAY

The first lesson is don't buy any of those \$9.95 management tapes or self-help books being sold from cardboard displays set up in the parking lot. We checked and it turns out these guys are failed Amway dealers who found themselves stuck with a carload of motivational materials and nobody to motivate. The best you can hope for when you buy this stuff is that nobody strangles you with the tape that is going to unravel from all those cheap cassettes.

If you make it past the tape and book salesman, another one to look out for is the seminar leader who sprinkles the room with fancy four-color brochures depicting people like you soaking up knowledge, wisdom, and the answers to life at one of his fancy management workshops held in some exotic locale. Don't believe it. That is, unless you consider Abilene, Texas, exotic and you can also soak somebody else for the thirty grand you'll need to pay for one of these trips.

You can usually figure these guys out eight minutes into the session if you're listening. Notice they never mention words like "rent" or "work." Instead, you get an earful of how self-actualizing can lead to a metaphysical crystallization of your interfacing processes. Now if that doesn't help you rocket from six stores to 60, you have obviously not been paying close enough attention.

Realize not all seminars are designed for those who need their consciousness raised. If what you really want raised is BOR and profit, there is still plenty for you. Just stay away from the sweet young thing in the skimpy outfit who wants to talk about her company's product while shining your shoes. If you've never had a \$20,000 shoeshine, don't start now.

Because of the demand—and the savings on advance-purchase airplane tickets—some seminars are repeated from one year to the next. A good way to determine which sessions might be right for you is by surveying colleagues who sat in on them last year. If eyes glaze over, hands clutch wallets and chests begin twitching, you can be fairly sure of which ones to stay away from.

You'll have to make some real choices in the exhibit hall. For example, which aisle do you start with in order to end up at the free beer deal no later than five?

Don't worry. Start with the jewelry exhibits and walk slowly. You will be immediately surrounded by former rent-to-own people, some of whom probably once worked for you. Now they're all gemologists. That means they have six hours of training and a briefcase that locks. And each is repping the only hand-crafted and custom-designed gold and diamond jewelry distributed expressly to the RTO market.

How this can work with 38 different manufacturers defies analysis. But if you're thirsty, just grab one of those rover boys and ask him where the free beer is and when does it start. He'll know. He'll also want to tell you about the dealers who are now considering buying Kuwait with their jewelry profits.

When somebody from over in electronics grabs you and wants you to meet his boss, be prepared. You won't want to embarrass yourself by shaking the wrong hand. That means you should ignore the beefy guy in the \$800 suit, Ralph Lauren eyeglasses and Gucci slippers. He doesn't even work for the company. He's there to plug in the TV sets for the union guys. The fellow you'll want to trade business cards with is wearing a lime green sport coat, bad hair and shoes that look like the ones you gave away in 1969. He is the brains of this outfit.

Just be careful when they ask you to sign their guest register. Some of those can show up later as purchase orders. You should know this so you won't go crazy trying to figure out where the carload of 8 mm camcorders and AM radios came from. If this happened to you last year, look for a guy in a lime-green coat.

Further down the electronics aisle you'll run across the "Big Screen" display. Or is it "Home Theater?" It's apparent that nobody in the electronics industry has any more imagination than Bob's Advertising &

Storm Door Repair back home.

After 15 years and millions in research, we now have a TV set the size of a Winnebago and the best we can come up with is either "Big Screen" or "Home Theater." Calling these monstrosities "Big Screens" makes things tough for dealers who spent the last 20 years describing 25-inch TV sets as "big screens". Well, they're bigger than 19-inch screens.

So far as we can figure out, the only real difference between "home theater" and "big screen" is that one comes in both walnut and distressed pine, and the other comes only in black plastic.

By the end of the day, you'll have tons of sales materials and brochures that will be lucky to make it to your room, much less into the hands of anybody back home who buys products.

If you look closely at these catalogs, you'll notice that none of the people pictured with the products look like any of your customers and all the furniture they are sitting on is better than what you have at home.

So you wonder—if they put this much money into the brochure, how

much was left over for frills like technology and engineering? We've done the arithmetic and come up with this number. It's eight bucks. In a couple years, you'll want to rent the brochures as art and chunk the TVs.

Finally, all APRO members should try to make the convention's business session. This is usually held just before dawn on a Sunday morning so that only the committed show up. Things go pretty smoothly as a rule, but sometimes there is a breakdown in communication and some new guy spends 40 minutes reporting on the work of his obscure committee. Of course, he never figures out he was stuck on that committee in the hope that we wouldn't hear from him at all.

If there is anything else you need to know about convention, just ask anybody wearing a big name tag with a bright ribbon. They're either officers, speakers, or unattended children flying home. Or all three. **PR**

*Bud Holladay is vice president of marketing for Alrenco. He is a former RTO dealer and founder of APRO. His humor/opinion column appears in Progressive Rentals every issue.*

# WE'VE BEEN KEEPING SOMETHING FROM YOU...

## HIGH SOFTWARE PRICES!

If the high cost of computer software is eating into your profits, consider this:

Your computer software must be as efficient as your delivery trucks and dollies. You could not base the performance of your truck on "gallons per mile", neither should you base your software cost on "dollars per hour"!

The RAM System leases for \$100.00 per month. NO HIDDEN CHARGES - NO LARGE CASH INVESTMENT!

The software cost on an average Rent-To-Own store would only be \$.38 per hour, with The RAM System.



You can begin leasing The RAM System for as low as \$300.00!

On-site installation and setup is available for The RAM System. Unlike other software vendors who require you to purchase expensive on-site setup, it is not required by Rental Information Systems. Software that requires this is probably very difficult to learn and use.

Rental Information Systems has been serving and supporting the Rent-To-Own industry since 1985, and will continue into the 21st century.

For more information and a free demo of The RAM System call today!

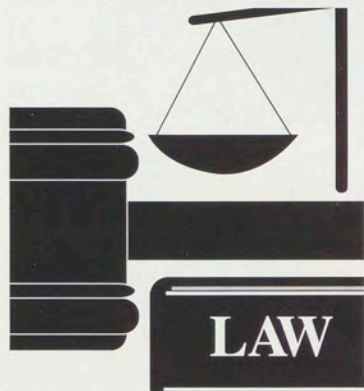
See us at booth #436 in Las Vegas, Aug. 13-15.



**Rental  
Information  
Systems, Inc.**

834 Jeanette Ave. Magnolia, AR 71753

**(501) 234-2200**



*In keeping with our sports analogy, let's take a look at the latest developments on Capitol Hill*

# Game plays on, but rules change

IN LAST ISSUE'S COLUMN (SEE APRIL-MAY *PROGRESSIVE RENTALS*, PAGE 50) I COMPARED THE CONGRESSIONAL LEGISLATIVE PROCESS TO A BASEBALL GAME AND THE STATE LEGISLATIVE PROCESS TO A BASKETBALL GAME. THE POINT WAS THAT THE FEDERAL LEGISLATIVE PROCESS IS GENERALLY MORE COMPLICATED AND SLOW MOVING THAN THE STATE LEGISLATIVE PROCESS.

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Keeping with that analogy for the sake of comprehension, it seems we have started the next inning of this drawn-out game of political artifice with the recent pitch by Henry B. Gonzalez, U.S. House banking committee chairman, in the form of a "press release" attacking the Federal Trade Commission for not doing "its job in protecting consumers from the unfair and deceptive trade practices of many rent-to-own operators." (See sidebar at bottom of facing page.)

Chairman Gonzalez put a new spin on this issue by using us to renew his long-standing battle to force the Federal Trade Commission and the Federal Reserve Board to take a more "consumer activist" role in fulfilling their public mandate to "act in the interest of all consumers to prevent deceptive or unfair practices and unfair methods of competition."

Gonzalez forwarded a consumer complaint about a rent-to-own transaction from a resident of Saint Louis, Mo., to the FTC with a request for action on behalf of the consumer; a normal, frequent and well-intentioned gesture on his part as an elected representative of "the people." Next, FTC officials did the normal, routine response for a request from a congressman, especially one who

is chairman of their budget oversight committee. They decided to check it out and see what they could do, based on their independent review of the facts.

Why, you might ask, wouldn't they just take the consumer's statement of the facts as assumption and work from there? Because, like anyone with practical experience and common sense, they have learned the hard way that not all consumers even know all the facts, much less are truthful in recounting the "facts" to a third party.

So, the FTC started with an investigation of the facts involved in this case.

Surprise or not (depending on whether you graduated from the Ross Perot School of Logic), it turns out the consumer had left out a few facts when whining to her elected official.

In a seven-page response to the "shoot first, ask who we shot second" congressman from Texas, the commission tried to explain this to Rep. Gonzalez. Instead, the FTC only managed to embarrass, enrage and engage the congressman without apparently enlightening him.

This was probably not unexpected at the commission since Rep. Gonzalez has been in Congress for almost half a century and does not seem to have developed any skepticism about complaints from consumers, apparently accepting them all as gospel truth.

It turns out that the consumer in question had omitted the fact that she wrote a "hot" check before the RTO store began "harassing" her for money. She also forgot to mention that she had failed to make timely payments on several other occasions before being "harassed" again for money.

And, in the most revealing of pertinent information that seems to have escaped the Gonzalez investigative team, she continued to do business with the same company after supposedly experiencing problems. Apparently, her complaints

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BY

RON WATERS

surfaced once she had moved from one city to another.

This important fact did not escape FTC staffers, who pointed this out to Gonzalez. The FTC also correctly determined that the customer failed to exercise the termination clause of her contract. That was in addition to failing to honor her obligation to make payments in good faith. In its charitable response, the FTC added a "face-saving" suggestion to Gonzalez that perhaps the customer "did not appreciate her right to sever this contractual relationship or that she intended to continue the arrangement for only a few more months in each instance."

I suspect that what the commission staffer who wrote the response really wanted to say was something about how some people are too stupid to exercise any protections the federal government can devise for them and you just can't legislate mandated, consumer intelligent decision-making.

In any event, the seven-page response was blunt enough to trigger a response of outrage from the mighty chair of the U.S. House Banking, Finance and Urban Affairs Committee. In the form of a second letter to the

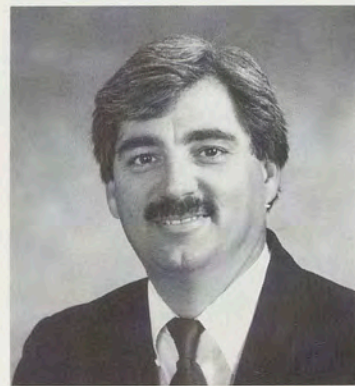
FTC, Gonzalez expressed his longstanding belief that the commission is derelict in exercising its authority by not adopting regulations restricting "the widespread rent-to-own abuses."

In response to the commission's opinion that there is not sufficient evidence in this case to pursue a remedy, the congressman suggests that the FTC "review the testimony from witnesses at the committee's hearing on March 31 regarding the rent-to-own industry."

Once again, Rep. Gonzalez seems to accept at face value the testimony of consumer witnesses who felt wronged—without regard to possible errors of fact on their part or even plain old human misunderstandings.

Ominously for us, Gonzalez states in this second letter to the commission chairman that he intends to introduce legislation to address these concerns about the industry. We fear that he will use the same "objective" approach in drafting legislation that he uses to investigate complaints.

In a revealing afterthought in the second letter he states, "But, as you know, the legislative process is not



*Ron Waters is APRO's director of government affairs.*

the most expedient way in which to address a problem."

All APRO members should have received copies of these letters between the chairman of the House banking committee, Gonzalez, and the chairman of the Federal Trade Commission. If you're interested in reading for yourself how a molehill becomes a mountain in the federal political process, look through your APRO correspondence.

The reason I recount these excerpts is to make a point or two about the

CONTINUED ON NEXT PAGE

## Gonzalez's office issues anti-RTO 'news release'

*(Editor's note: This news release, issued on U.S. House of Representatives Committee on Banking, Finance and Urban Affairs letterhead and dated June 14, has not been edited or altered.)*

...

WASHINGTON, D.C.—Chairman Henry B. Gonzalez of the House Banking Committee today demanded that the Federal Trade Commission (FTC) do its job in protecting consumers from the unfair and deceptive trade practices of many Rent-to-Own operators.

"The Banking Committee's March hearing on rent-to-own brought out the underhanded tactics of some rent-to-own operators," Mr. Gonzalez said. "They sell merchandise at what amounts to ridiculously high interest rates, often deceive customers about extra fees and the total cost of the item, and frequently break their promises about repairing merchandise."

One consumer complaint Chairman Gonzales forwarded to the FTC for action involved a St. Louis woman who

received used, defective furniture that was not replaced, as promised, for several months. After she had paid in full—more than double the retail price—the rent-to-own store continued to demand more payments and to threaten her. The store also refused to provide her with a history of her account and payments.

"These schemes are like going into a store that has no pricetags, taking your purchase home and then letting the merchant decide how much you owe," Mr. Gonzalez said. "Furthermore, rent-to-own companies often perpetuate this rip-off on low-income people. It's unfair, but the FTC seems to think this is a legitimate trade practice."

In a response letter to Chairman Gonzalez, the FTC maintained that "in general, the Commission addresses practices that may be unfair and/or deceptive on a case-by-case basis and imposes remedies designed to be appropriate for a particular respondent." The Commission also holds trade regulation rule authority to use when finding a record of unfair and/or deceptive acts or practices in the industry at large.

"Despite the especially egregious nature of this case, and sitting through the Committee's March hearing, where we heard rent-to-own horror stories from state attorneys general, Legal Aid attorneys and rent-to-own customers, the FTC persists in saying that it cannot act because of a lack of evidence of a 'deceptive pattern or practice,'" Mr. Gonzalez said. "What does it take to get them to protect rent-to-own consumers?"

The House Banking Committee Chairman said he will soon introduce legislation to regulate the rent-to-own industry, but in the meantime, he urged the FTC to act to stop the widespread rent-to-own abuses.

"The legislative process is not the most expedient way in which to address a problem," he wrote in response to the FTC. "The FTC simply does not have to wait for Congress to act any further. The Commission now has the power to go after these abusive acts, and as you noted ... the Congressional mandate to protect all consumers."

Continued from previous page

federal legislative process and where we are in it. Congress is not a court of law or any other institution of "equity." Perhaps at worst it is a "kangaroo court" where like forces have joined to publicly punish a common erstwhile opponent. At best, it is confirmation of the common good sense of the common person. But it rarely rises to a collective solution of genius, lest it get too far ahead of the common man.

Many people expect too much of Congress because they witness uncommon genius in their private lives and businesses, and assume their collective representatives can do the same as a committee of the whole. It doesn't work that way.

Congress is not a monolith or singular instrument of progress, but rather a polytypical institution where competing ideas are shouted into a large well (the U.S. House floor where a member speaks is literally referred to as the well of the House).

In Congress, one's ability to prevail is dependent on where they are standing (determined by seniority), how deep a voice (determined again by seniority) and, sometimes, whether or not a louder opponent is absent that day. So, victory may be only temporary and fleeting once a louder opponent shouts into the well.

To return to a more common analogy, we seem to have entered another inning of insider baseball, where the current pitcher (Gonzalez) has thrown a curve ball—not to the batter at the plate, but to his own outfielder (the Federal Trade Commission), which seems to have taken a swing at the ball instead of catching it and returning it as desired to the pitcher.

Now, the pitcher is mad at his own outfielder and a more interesting game has broken out of watching the pitcher chase down his own man to throttle him. The batter (that's us) can only stand by and hope this doesn't disrupt his concentration. It could cause a wild swing, once the real game resumes. **PR**

Continued from page 21

signs of lender discomfort, even if perceived to be minuscule, should be addressed with a sense of urgency. If a lender makes requests for additional information, it may indicate eroding confidence in the viability of the business. Or, a lack of satisfaction with company reports could be causing lenders to seek more information and even consider exiting the loan.

• **Increasing customer complaints.** If customers are returning their merchandise more frequently and not paying on time because of perceived problems with services or product quality, management should enact a more aggressive monitoring-of-receivables approach.

• **Increasing vendor concerns.** Since vendors are the lifeline of a company's product supply, if an RTO dealer notes that critical vendors are tightening credit terms or requesting CODs, it may be either indicative of an industry-wide phenomenon or simply unique to the company.

It may be that vendors are less interested in selling to the industry or company because they see a deteriorating situation and prefer selling to a more stable business. Vendors may also be shutting dealers off from new product offerings and only offering second-tier items.

While the external environment and demographic trends may contribute to problems for some RTO dealers, a company's ability to manage in this environment will be the difference between success and failure.

Management must keep alert to these warning signals, and effective accounting and cash-management controls certainly make it easier to spot problems. If management recognizes the warnings and—if workers at all levels address these signs with a sense of urgency—there's no reason the company can't prosper. **PR**

*Gerald P. Buccino is chairman and CEO of Chicago-based Buccino & Associates, a national firm specializing in corporate revitalization and turnaround consulting services. Buccino can be reached at 1-800-275-9321. John C. Stuecheli is vice president—engagement manager. Stuecheli, whose office is in Dallas, can be reached at (214)851-3504.*



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Continued from page 26

for determining the rental ownership price, the early buyout formula requires an early buyout option at a price which gives customers at least 42 percent off of remaining payments.

The statute requires dealers to provide a written receipt for all cash payments, including mail drop. Dealers cannot charge a delivery or a pickup fee unless the contract is actually signed in the store. Presumably this section was added to prevent customers from being surprised by an additional fee when the property is delivered to the house.

The total rental-purchase price is limited by the statute to 240 percent of the retail value. This is actually greater than the five other states which have limited the relationship between the rental-purchase price and the "cash price" to 200 percent.

There is a laundry list of limits on collection practices in the West Virginia statute similar to those contained in the Minnesota Rental-Purchase Statute. These limits should not work a hardship on reputable dealers in the state.

The last time the attorney general wrote regulations about the rental industry, they were declared unconstitutional. West Virginia dealers hope he will do better this next time.

The statute specifically authorizes the filing of criminal charges under certain circumstances in West Virginia, even though, in the section on collections, dealers cannot threaten customers with the filing of criminal charges.

It may be that the attorney general can provide useful assistance in interpreting this statute. At the same time, dealers are somewhat at risk in the event the attorney general reads ambiguous language in the statute to seriously curtail what properly ought to be legitimate business activities in West Virginia. If the political battle is over, the legal battles have just begun.

## Idaho, North Dakota and Utah

Three other states besides West Virginia enacted rental-purchase statutes since July, 1992—North Dakota, Idaho and Utah. All three bor-

row heavily from the suggested legislation offered by the Council on State Governments. The disclosures, with minor exceptions, are the same.

## Nebraska, Arkansas and South Carolina

Nebraska made the most far-reaching amendments to its rental-purchase statute, probably in response to a series of media reports concerning alleged collection abuses by a dealer in the state. However, the only connection between the disclosure of the alleged collection abuses and the legislative action is one of timing, since the amendments to the rental-purchase statute did not address the issue of collections at all.

What the amendments did do was to strictly limit "other charges" in Nebraska to charges specifically authorized in the statute. The new Nebraska language is similar to that in Oklahoma and several other UCCC states. The new Nebraska language may make it difficult for dealers to offer rent clubs or other innovative programs with "intangible" benefits.

The statute was also amended to allow a new charge, a reinstatement fee, in addition to a late charge with a \$5 limit.

The amendment also gave wide-ranging regulatory powers to the Nebraska Director of Banking and Finance. The director's authority is now similar to that of most states' attorneys general and, in UCCC states, the power of the administrator.

Arkansas made a minor amendment to its statute by making a violation of the rental-purchase statute there an unfair business practice under the state deceptive trade practices statute.

The South Carolina Department of Consumer Affairs adopted regulations concerning the record-keeping practices of rental dealers in that state. The regulation sets forth the kinds of records, particularly concerning payment histories of customers, and where and for how long such records must be kept.

Minnesota's statute has been under attack in the courts. The issue, briefly, is the relationship between the

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Continued from previous page

Minnesota Rental-Purchase Statute enacted in 1990 and the state consumer credit code. Dealers thought the passage of the rental-purchase statute, arguably the most comprehensive of its kind anywhere, clarified once and for all the status of rental-purchase transactions in Minnesota.

Legal aid lawyers are arguing in both state and federal courts that the consumer credit code's provisions were not supplanted by the rental-purchase statute and that, indeed, these transactions are both credit sales and rental-purchase transactions under Minnesota law.

Two judges, a state court judge and a federal court judge, have both ruled that the legal aid position is correct and that rental-purchase transactions are credit sales under state law.

A final decision concerning the characterization of rental-purchase transactions in Minnesota is probably several years away. **PR**

*Ed Winn is APRO's legal counsel and a veteran writer on RTO issues.*

Continued from page 39

**DARLING:** Let me find that provision. I was just looking at that provision a few minutes ago ...

**PROGRESSIVE RENTALS:** Normally, most RTO store personnel would not do that until the potential customer actually comes into the store.

**DARLING:** But that appears to be what it says (in the law). It's under disclosures.

**PROGRESSIVE RENTALS:** Does this only apply when the dealer's store personnel are doing phone soliciting, or does this also apply whenever a potential customer calls into a store?

**DARLING:** It doesn't say. It would apparently be both.

**PROGRESSIVE RENTALS:** The point is, when a customer's shopping around ...

**DARLING:** I think that's the point. You've got to make the disclosure when the customer's shopping around. You probably don't do too much telephone solicitation, I would imagine.

**PROGRESSIVE RENTALS:** Let's go back for a moment to retail value.

Some operations provide both retail and rent-to-own options for their customers. In the interim before your regulations are developed, is it okay for dealers who have rent-to-own counters to use their own retail prices as the benchmark for arriving at the 240 percent cap? Or, will they have to do their own comparison shopping in the marketplace until the formula is worked out?

**DARLING:** I believe rent-to-own dealers, until such time that the regulations are in place, should be prepared to defend their retail price as being in compliance with the general definition (in the act). Anybody who makes a good-faith effort is not going to be in any danger. But if someone is using (figures that are) 40 (percent) or 60 percent above retail price, and using it as a way to get around the 240 percent cap, that's going to be pretty clear.

**PROGRESSIVE RENTALS:** It should be fairly simple, although somewhat tedious, to go back and pull retail ads to see what comparable prices were for various products in different market areas of the state at any given time.

**DARLING:** And there is the problem of making price comparisons based on the quality or perceived differences in quality of goods. Because with most (product) lines there's a wide range of quality, and that can leave a lot of room for debate as to what the average retail price is. That would've been a terrible sticking point in the legislative process ... and may well have killed the bill. The idea of this bill, I think, was to let the market set the price. But I have to be aware not to tamper with that when we look to put the regulation out so that the state doesn't, in effect, set your price. The goal is to make the regulation be a true and accurate reflection of the marketplace.

**PROGRESSIVE RENTALS:** Leave us with capitalism.

**DARLING:** Yes.

**PROGRESSIVE RENTALS:** We don't believe it is common practice for state legislatures to set prices on consumer goods.

**DARLING:** Minimum prices rather than maximum, in most cases.

**PROGRESSIVE RENTALS:** What about the possible extra-territorial effects of this law? I believe there's a

CONTINUED ON PAGE 59

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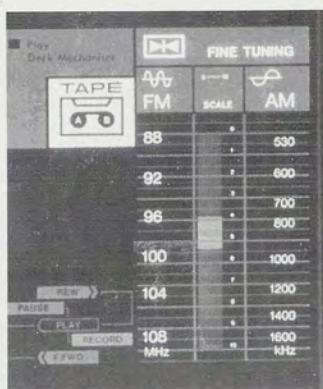
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**TRIB makes \$5,000 donation to APRO**

During the recent TRIB Group convention in Atlanta, members demonstrated their support for the rental-purchase industry by donating \$5,000 to APRO's funds in an effort to help with legal issues currently facing the industry.

TRIB, which is the rental industry's buying group, presented the donation to APRO Executive Director Bill Keese at a convention dinner on Saturday, May 15.

"We have always supported state rental associations and trade shows such as APRO and Rentex," says TRIB Executive Director John Blair, who had 16 years of experience in RTO before joining TRIB.

TRIB, a nonprofit organization run by a member-elected board of directors, gives smaller RTO companies power by negotiating good deals through volume buying.

Celebrating 10 years of excellence, TRIB was founded in 1983 when a small group of RTO dealers questioned what the future was going to hold for the industry.

The group realized to survive in the industry, they needed not only to share ideas and expertise with fellow RTO dealers but also to combine their resources in an effort to compete with larger companies and obtain merchandise at volume prices.

In 1992, TRIB distributed more than \$180,000 in rebates to its members. For 1993, TRIB has developed vendor programs that will distribute more than \$800,000 in rebates for its members.

Vendors benefit as well from the rebate programs. With 1992 volume purchases increasing as much as 30 percent with vendors, during the first half of 1993 the volume is already up 27 percent over 1992.

TRIB Group has grown over the years to become a major factor in the rental industry.

**Rent-A-Rock unveils new leasing program**

Rent-A-Rock announces a merchandising system designed to eliminate problems of initial expense and idle inventory related to jewelry in the rental-purchase industry.

Providing an entire program of cases, lights, display, support and jewelry, the Rent-A-Rock True Leasing Program allows RTO dealers to pay only for the product being sold and includes a fully deductible lease payment. In addition, Rent-A-Rock will buy back previously rented goods from RTO dealers on a monthly basis.

Offering the same low prices as cash customers pay, Rent-A-Rock provides a low-risk lease for as little as 12 months or as long as 72 months—with a purchase opportunity at the end of the lease at approximately 10 percent of the original cost.

Advantages of the leasing program include a conservation of capital with no down payment required, an immediate return on the investment with new revenues generated exceeding the payment, and the preservation of existing capital—which keeps established credit lines intact through leasing.

Tax advantages for the program: it provides RTO customers who lease jewelry with a rent deduction from both accounting and tax records. Thus, it does not create a cap that would be subject to the alternative minimum tax.

Rent-A-Rock considers leasing to be the wave of the future, with traditional sources of finance a thing of the past.

**Montgomery signs on at APRO for summer**

Kelli Montgomery has joined the APRO staff for the summer as a part-time communications intern. She is a University of Texas graduate in magazine journalism.

The Fort Worth, Texas, native's duties include writing and editing for *Progressive Rentals*, *Network News* and *APRO Convention Daily*, as well as layout on convention *Show Guide*.

"Kelli's already made a big contribution," says John Gormley, APRO director of communications.



*Kelli Montgomery has joined APRO's communications department for the summer.*

**Fashion craft expands RTO dealer support**

The Fashion Craft Corporation of Glenview, Ill., has developed several enhancements to its jewelry rental program, including a new manual and video that will be accessible to all rental dealers.

The manual—"The Manager's Guide to Selling/Renting Jewelry"—includes product descriptions and color catalogs, and covers all facets of renting jewelry from sales training to marketing/advertising to product security.

Fashion Craft has also developed a training video for both new and old employees which recognizes the problems of employee turnover and the ongoing need for continuing education.

The 13-minute video covers the basics of jewelry manufacturing, types of rings, how to explain diamonds and gold content, and customer role-playing.

**Champion promotes Hill to operations VP**

Champion Rentals has appointed Steven M. Hill as its vice president of operations.

Hill will be responsible for the overall operation of Champion's 56 core rental-purchase stores, located in 11 Southeast markets.

Since 1991, the Daytona Beach, Fla.-based company has grown from 27 stores to its current 56—largely under Hill's guidance. **PR**

Photo courtesy of TRIB Group



*APRO Executive Director Bill Keese, center, accepts \$5,000 check from Norman Slatton, former TRIB Group president. From left are Bill Kasper, TRIB's newly elected president, and John Blair, the buying group's executive director.*

Continued from page 56

section in the statute that refers to rent-to-own customers going into adjoining states, renting RTO products and bringing them back into West Virginia. In cases like that, does West Virginia's RTO law take precedence? **DARLING:** I don't think that's an effort to give extra-territorial effect to this law. There would be a lot of factors to be considered, including constitutional questions, to say that any state has the right to regulate a transaction that actually occurs (elsewhere) and would be lawful in the place of origin. I don't think West Virginia has the right to void a contract that's legal in another state. However, simply because you have a contract entered into in another state doesn't void the provisions which regulate conduct in West Virginia. So you're probably looking at disclosures, but I'm looking more at repossession tactics.

**PROGRESSIVE RENTALS:** Most RTO companies with stores in West Virginia also have stores across the borders—in Ohio, Kentucky and Virginia.

**DARLING:** You can see how tricky it becomes, so there's no easy answer as to which state's law applies. That's the problem we face when we talk about extra-territoriality. We have to look at each situation on its facts and try to make a decision based on the general principles. I don't think that provision of the bill is an effort to give the West Virginia law an extra-territorial effect. But in a particular circumstance it may be such that,

because of the way the facts fall down, that West Virginia law may well control a transaction, at least part of it, that took place in Ohio or Kentucky.

**PROGRESSIVE RENTALS:** Every state on West Virginia's border already had a rental-purchase law.

**DARLING:** I don't think you need to look toward where your customers come from. You need to make the dis-

closures required under West Virginia law (regardless). Now, you may have to be concerned about Ohio law, if you go into Ohio to collect.

**PROGRESSIVE RENTALS:** If dealers conform to the new West Virginia law, there should be no way they can get into trouble with the Ohio RTO law.

**DARLING:** Yes, it's (West Virginia's law) a lot stricter. **PR**

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Continued from page 31

give you the information you need for continued business success. Outlined at greater length in the last issue of *Progressive Rentals* and in other convention mailouts, seminar topics range from assessing your financial picture to motivating employees, from understanding customer wants and needs to goal setting to dealing with the legalities.

### Your own newspaper, too

Keeping with tradition, *APRO Convention Daily* will be distributed Saturday, Sunday and Monday, Aug. 14-16. Look for your informative newspaper—providing the convention schedule, highlighted activities of the day and a recap of the previous day's main events—outside your hotel room door.

Once again, it's sponsored by Philips Consumer Electronics.

### Not to be missed

Walter E. (Bud) Gates, chairman and CEO of THORN EMI Rental



*APRO's 1993 convention, set for Aug. 13-17, is on pace to set an attendance record, judging from hotel bookings.*

Americas, is special guest speaker at the APRO business session Saturday morning. With a Harvard MBA and plenty of business savvy, Gates has risen to the top of the rental-purchase business. He'll share some of that know-how and give his insights into the future of renting in America.

Nate Booth, head corporate trainer for Robbins Research International of San Diego and a student of the sci-

ence of human influence, is keynote speaker. Booth's presentation, which is sponsored by Quasar, is titled "Change, Challenge and Choice: Thriving in Our Rapidly Changing World."

Possibly the most important arena in which a professional association operates is the legislative arena. In response to a March 31 U.S. congressional hearing on the rental-purchase industry, the APRO Government Relations Department has led the way in forming a national legislative strategy for RTO. It will be introduced during this business session.

"It is imperative that all rental-purchase dealers be informed of events in D.C. and the state legislatures, and how they affect business on a day-to-day basis," says Ron Waters, APRO director of government affairs. "With ever-increasing outside scrutiny and critical attention in the media, it is essential that this association and its members work in concert in the legislative arena."

Plan to attend this very important session.



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As you're pondering the future of the industry, your spouse can learn the ins and outs of Las Vegas casino gambling. From slot machines to various card and dice games, teaching dealers in this Saturday morning session will share their know-how on bringing Lady Luck to your table.

On Monday, head for the hills. The Mt. Charleston tour from 11 a.m. until 5 p.m. lets you escape the Las Vegas heat for a cooler climate—or climb. At 11,000 feet, you'll find the Mt. Charleston Hotel nestled in the pines. Lunch will be served in the Canyon Dining Room as you look out at picturesque canyons. After lunch, you can choose from horseback riding or a hay ride. Either way, the views are spectacular.

## Did you say party?

Nobody parties like APRO parties, and Vegas is the place to do it. Tempt fate with the Black Cat Party Friday the 13th at Bally's. It's the welcome cocktail reception with open bar and light hors d'oeuvres, sponsored by



Las Vegas News Bureau

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FORESIGHT/John Alden Financial Corp. Mingle with old and new friends amid things that go bump in the night. APRO has dreamed up lots of spooky fun to kick off this year's convention, with special sound and lighting effects to set the scene, a disc jockey playing favorite tunes, and fortune tellers spinning their yarns.

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Continued from previous page

SIGHT/John Alden Financial Corp. Dress as your favorite Saturday Night Live character and emcee Father Guido may be handing you the best costume prize. (APRO will have costumes for rent at the hotel, if you forget to bring your best Samurai suit from home.) All your SNL favorites will be there, maybe in duplicate or triplicate, and the Blues Brothers will sing a few tunes. Heavy hors d'oeuvres and a cash bar will be provided.

The super spectacular party of the year is the annual APRO Awards Banquet. It's Monday, 7 p.m. until midnight, and sponsored by Voyager and High Touch. The big event starts with "The Flying Elvises" parachute troupe, straight from "Honeymoon in Vegas." (If you haven't seen the movie, rent it and have a look—it will get you in the mood.) Ten Elvis impersonators will jump out of an airplane and perform aerial acrobatics just for you.

Speaking of being in the mood, is a wedding or divorce in your immedi-

*With this special combination of fun and business activities, APRO and Las Vegas offer what it takes to make a successful convention and vacation.*

ate future? You can do it all in one night at our wedding chapel and quickie divorce booth—or quickie divorce booth and wedding chapel, depending on your circumstances. Some APRO folks will be wearing their wedding dresses/tuxes to the party (dress is semiformal). So, if you can get into it, put it on. We don't want to tell too much or we'll spoil the fun, but be prepared for anything and you won't be disappointed.

This evening is jam-packed, with award and trophy presentations, dinner and dancing to the music of a live band. Structured events will alternate with entertainment throughout the night. The pre-banquet cocktail party,

from 7 to 8 p.m., is sponsored by Thomson Consumer Electronics.

"This is APRO's event of the year, and we've pulled out the stops," says Shelley Martinek, APRO director of education. "That includes an invitation to any member wanting to say, 'I do,' in front of colleagues and friends."

Martinek says there have been no takers so far, but there will be at least one couple saying, "I still do."

### Presidents' breakfast

On Sunday, Aug. 15, from 8:30 to 9:30 a.m., Fraenkel Furniture Company is sponsoring the annual breakfast and awards presentation for presidents of state rental-purchase associations.

With this special combination of fun and business activities, APRO and Las Vegas offer what it takes to make a successful convention as well as a truly pleasurable vacation. It's right on the money all the way around.

**PR**

*Barbara Stooksberry is a freelance writer and veteran contributor to Progressive Rentals.*

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