

# PROGRESSIVE Rentals

The magazine of the rental-purchase industry • August/September 1995



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Cover design by Joel B. Mathews



**APRO goes commercial**

**"Rent does a body good?" Nah. "Rental-Purchase: It's what's for dinner?" Nah, but getting close.**

America knows the sales pitches for milk and beef. Those commercials were created by those industries' national trade associations. APRO leaders are looking to do the same—to create a professional, national-quality television commercial which will increase business and promote a positive image for rental-purchase.

A plan is developing to have APRO produce such a television commercial, provide it free to members who can then add it to their regular advertising rotation.

The idea of producing a national commercial has been kicked around within the industry and the association for years. But only recently has the idea begun to take shape. Ernie Lewallen, APRO board member and co-owner of Cincinnati-based United Household Rentals, has been leading the conceptual commercial charge for the association.

As chairman of APRO's public relations committee, Lewallen believes a broadcast-quality, attention-grabbing and entertaining commercial will help RTO restore lost BOR and build a wider customer base.

One of the ideas being kicked around features a leading canine named "Gus," who finds happiness through rental-purchase. Gus is a stop-motion, animated character created by Walt Disney animator Michael W. Johnson exclusively for APRO.

"This industry has allowed our opponents to define our industry for the past 15 years," Lewallen said. "A national marketing and public relations campaign based around a television commercial has been very successful for other industries and I believe our industry can enjoy similar success. I believe this industry, through APRO, can dictate its future and its business with a campaign that will boost our image and our profits."

During APRO's convention in August, Gus and the commercial idea were unveiled to test the response of association members. APRO members interested in the commercial idea, or those wishing to comment on the project, should contact APRO's Richard May at (512)794-0095.



**APRO at Markets**

Rental-purchase dealers and vendors are encouraged to be on the lookout for APRO representatives at some of the coming year's major markets.

APRO Marketing Director Cindy Ganther and Carolyn Fitzsimmons, membership director, will be manning the association's booth at all of the markets they attend.

The High Point furniture market, Oct. 20-22, is the first stop for the APRO pair. They will be in the Bushline showroom, suite 612, in the Furniture Plaza building. Bushline sponsors a wine and cheese hospitality gathering in its showroom on Oct. 20, from 5-7 p.m.

**Champion hires 2**

Champion Rentals, Inc., announced the appointment of two new executives at its South Daytona, Fla., headquarters. Champion, a privately held corporation, operates 68 rental-purchase stores and provides management services to 68 others in the southeastern U.S.

Mike Creswell, a district manager with Champion the past two years, was named the company's director of purchasing. Creswell will oversee vendor selection, product lineup, plus store merchandising and display. Prior to joining the Champion team, Creswell was a regional manager for Rent-A-Center in Tampa.

Champion named Charles Sanders its director of human resources. Sanders will direct employee training, oversee the development of new and existing personnel, and also oversee management recruitment. Sanders previously served 23 years with JCPenney at the corporate level.

**ColorTyme honors top franchisee**

Gary Hughes, a five-store ColorTyme operator, received the Franchisee of the Year Award from ColorTyme president and CEO Mitch Fadel at the annual ColorTyme Franchisee Convention held in Beaver Creek, Colo.

Hughes has two stores each in Washington and Montana and one store in Idaho. The Franchisee of the Year Award goes annually to the ColorTyme dealer who meets and exceeds the company's standards for excellence in operations, customer satisfaction, commitment to the franchised system and contribution to the rental-purchase industry. Hughes received a Swedish crystal eagle, the ColorTyme symbol of excellence.

As this year's winner, Hughes will represent his fellow ColorTyme franchisees at the annual International Franchise Association Convention held next February in Hawaii.

**PUBLICLY TRADED RTO STOCKS**

RTO Company	Symbol	9/13 Price	52-wk. hi	P/E
<b>Advantage (COMCOA)</b>	<b>ADVG</b>	--	--	--
<b>AaronRents A</b>	<b>ARONA</b>	<b>18</b>	<b>19-1/4</b>	<b>15</b>
<b>AaronRents B</b>	<b>ARONB</b>	<b>18-1/4</b>	<b>19</b>	<b>--</b>
<b>Renters Choice</b>	<b>RCII</b>	<b>31-3/4</b>	<b>31-1/4</b>	<b>1233</b>
<b>Rent-Way</b>	<b>RWAY</b>	<b>10-3/8</b>	<b>11-1/8</b>	<b>55</b>

## Convention notes

APRO Education Director Shelley Martinek has begun finalizing plans for next year's APRO convention and trade show in New Orleans. Martinek attended the Louisiana Marketplace Meeting and Trade Show in early June to conduct a site visit and meet with officials at the 1996 headquarters hotel, Hilton Riverside.

The 1996 event will run Aug. 11-15. In addition to the traditional New Orleans attractions, such as the French Quarter, St. Charles Ave. street cars and the Louisiana Superdome, Martinek is working on special events, such as a riverboat ride, a Mardi Gras party and a visit to the Aquarium of the Americas.

## APRO legal reprints available

APRO has reprinted from the June/July 1995 issue of *Progressive Rentals* its annual special section on state-by-state rental-purchase laws.

Ed Winn III, APRO's general counsel and the industry's foremost legal authority, wrote the comprehensive article covering developments in state law during the past year. He also edited the charts on In-Store Price Tag Disclosures, Notice to Consumers, Rental-Purchase Agreement Disclosures, Specifications on Fees and Payments, Advertising Disclosures and Reinstatement Rights.

These special 16-page reprints are free to association members and available from the APRO office until they're all gone. Call Laurie Derton at (512)794-0095 for more information.

## Rent-Way names two executives

Rent-Way, Inc., announced the appointment of two new vice presidents at its Erie, Pa., headquarters.

David Lilly was promoted to vice president of operations for Rent-Way's 45 newly acquired stores in five states. Lilly joined Rent-Way in 1993 as a regional manager of the company's stores in Rochester, N.Y.

Michele Brooks was named vice president of Rent-Way's marketing and advertising departments. Brooks, who has a strong background in the electronic news media, will direct the advertising and marketing plans for Rent-Way and oversee the company's \$3 million advertising budget.

## Magic chain sold

Renters Choice, which took its stock public earlier this year, announced that it will buy Pro Rental Inc., which operates 135 Magic Rent-to-Own stores in 10 states. The \$38.5 million acquisition makes Renters Choice the second-largest RTO company in the nation with 325 stores.

## Tele-Track system praised

**APRO associate member Tele-Track provides rental dealers with an instant computer risk-assessment service. Bill Wendell, president of nine-store Blue Ribbon Rentals and a Tele-Track subscriber since 1990, has gone public with his praises of the Tele-Track system.**

Since he started doing business with Tele-Track, Wendell's account managers have been running risk assessments on every potential customer. By using the Tele-Track FrontHit system, Wendell's employees can learn if the customer has a record of skipping with goods; when the customers are sent through the SocialGuard program, the validity of their Social Security numbers are checked.

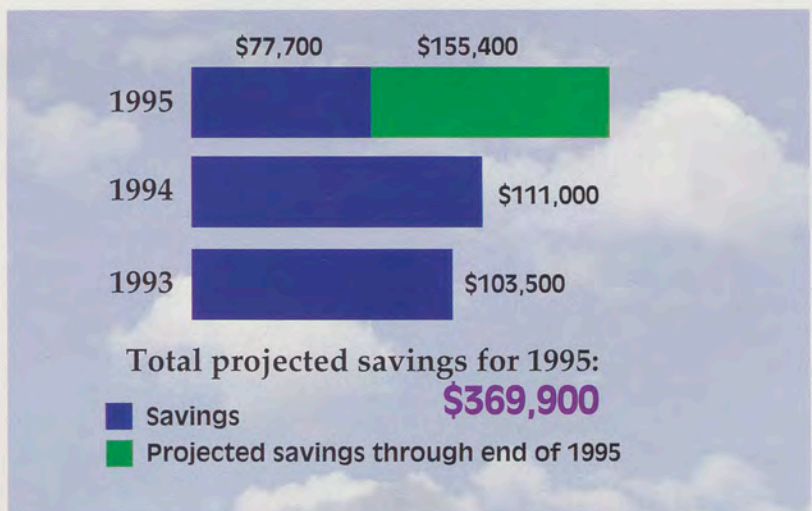
Since 1993, when Wendell began keeping statistics, more than 24,000 rental applications have been run through the Tele-Track services. On four percent (974) of those applications from the Blue Ribbons stores, the red flag went up. The FrontHit service reported that 662 of those customers had been reported as skips or charge-off risks by other Tele-Track subscribers. On the other 312 cases the applicants' Social Security numbers came back as invalid or belonging to a deceased person.

"My average cost per unit is \$300," said Wendell. "By preventing 974 losses, my net savings come to almost \$292,000 over a three-year period."

Wendell said he believes he'll save even bigger bucks in the future, since Tele-Track is growing. The more subscribers, the larger the database. Other industries, such as credit oriented furniture and appliance stores, title pawn shops and car dealers, are also signing up for the unique risk assessment services.

In 1993, Wendell said Tele-Track saved Blue Ribbon \$103,500 in potentially lost goods; the company saved \$111,000 in 1994; and Wendell expects to save \$155,400 in 1995.

"Those numbers are from seven of my stores," Wendell said. "Tele-Track saved me from nearly a thousand charge-offs in three years. Over the same time period, I still had a little more than 2,000 charge-offs, and I'm sure I'm not the first rent-to-own dealer these customers have visited. As more people join the Tele-Track program, those charge-offs will drop. The more people use this system, the more valuable it becomes."





**I want to begin this first column by expressing my sincere gratitude to the leaders and members of APRO for your support and confidence in electing me your new president.**

**Leading this association is a challenge.**

But, it is a challenge I accept with the confidence that many others will provide the assistance and input necessary to achieving our association goals. Your opinions and ideas are always welcome.

To those I haven't had the pleasure of meeting, I am Bill White, founder and president of Action TV & Appliance Rental, Inc., an 85-store company based in Mesquite, Texas, a Dallas suburb.

I have been in the rental business for 20 years, actively involved in APRO and our state association since their beginnings, and have served on the APRO board since 1985.

My basic beliefs about success are tied directly to people and goals. I believe you've got to surround yourself with great people, then let them do their jobs. I have witnessed this principle often with the great people we have throughout the membership and on our APRO staff. I also believe success is the result of staying focused on clearly defined goals.

We have come light years since the inception of the Association of Progressive Rental Organizations. In this, our 15th year, we've had several opportunities—most recently at our convention in Las Vegas—to reflect on our past, celebrate our accomplishments and plan for our future.

I've also had the pleasure of participating during the past two years in the association's grassroots trips to Washington, D.C., and seeing the progress we've made on Capitol Hill. A great testimony to this fact is Congressman Mel Hancock's participation at convention.

My expectation is that we finish what we've started in the federal arena so we can get on with the task of building this industry and legitimizing our competitive niche in the business world. To this end, my primary goals for this association during my year-long term as your president are:

- Settle the depreciation tax issue through federal legislation, whether it is three-year MACRS or something close to that, so there is a clear way, mandated by law, for RTO companies to expense their merchandise.
- Develop the language in federal legislation that clearly establishes rental-purchase as its own unique transaction. I'm not necessarily advocating a complete RTO law like we already have in 42 states. However, we do need wording in the federal law books that clearly establishes our identity. I believe that will help legitimize the body of state law we've worked so hard to build over the past 10 years. Soon, we'll have enough state laws to cover 98 percent of the U.S. population.
- Continue working to build a more positive public image of the industry through both national and local public relations.

We've come a long way and are now at an exciting crossroads. The opportunities ahead are great. There are only a couple of hurdles left before we can really hit our stride. But, we must stay focused.

With your help and support we will stay committed to the industry's cause and stay on track to achieve greater things together.

*Bill White, in his first term as APRO president, is owner of 85-store Action TV & Appliance Rental, based in Mesquite, Texas.*

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**A·PRO**

## APRO officers named for '95-96

Here's a look at members of the 1995-96 APRO Executive Committee:

**President.** Bill White, Action TV & Appliance Rental, Mesquite, Texas. White was elected to the association's top post for 1995-96. He is an 85-store dealer who has been on the APRO board since 1985.

**First vice president.** Darrell Tissot, Countryside Rentals, Bainbridge, Ohio. Tissot has served on the APRO board for four years. He is president of TRIB Group.

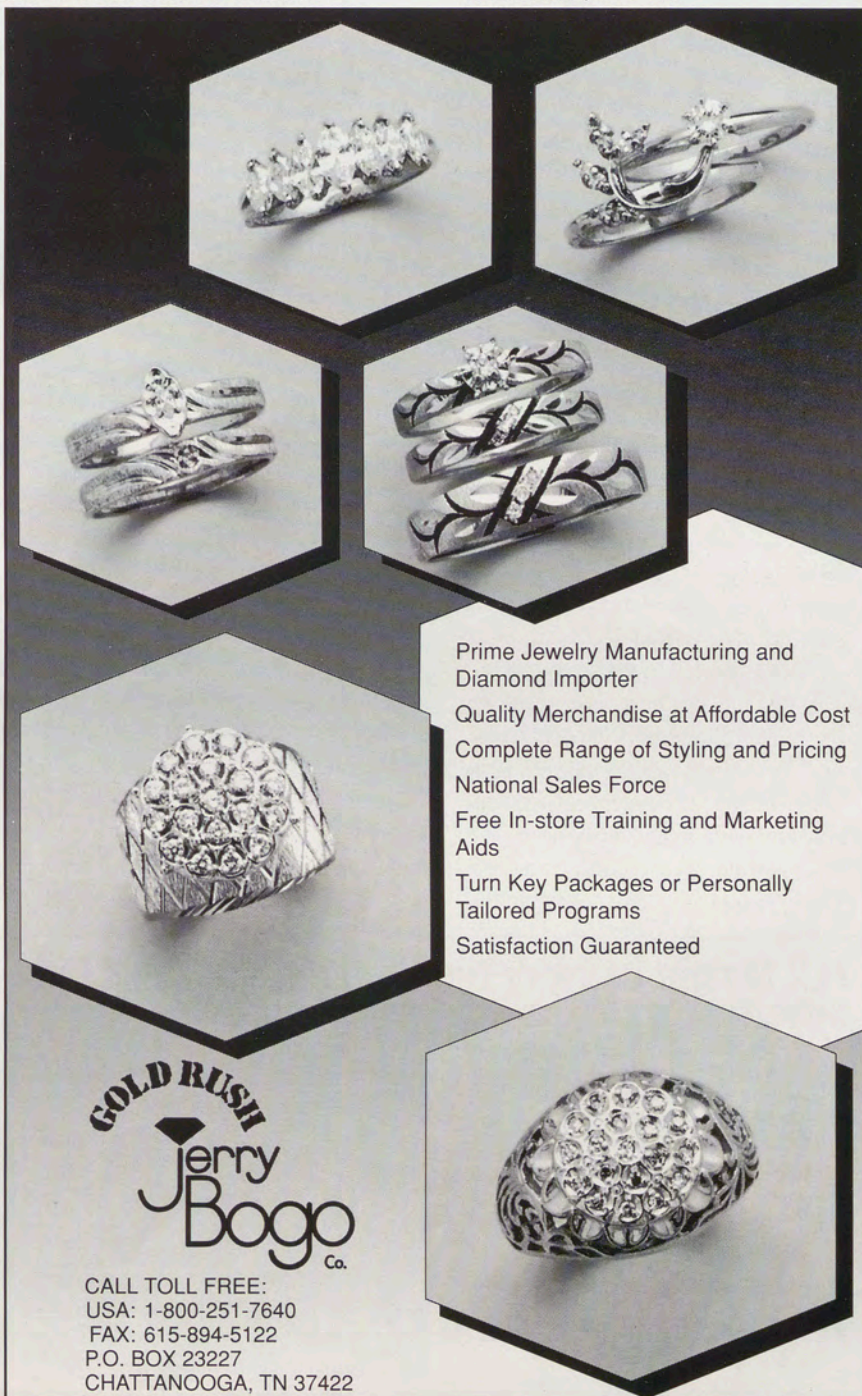
**Second vice president.** Chris Korst, THORN Americas, Wichita, Kan. Korst, chairman of the APRO Government

Relations Committee and Rent-A-Center attorney, was re-elected.

**Secretary.** Rich Bartel, Rentown USA, Vancouver, Wash. Bartel, who has been active in the association's fund-raising and political grassroots efforts, was re-elected.

**Treasurer.** Ted Wilson, Alrenco, New Albany, Ind. Wilson was re-elected to the same post he has held since 1991. Wilson was 1989-91 APRO president.

**Past president.** Kevin Quinn, Quality Rentals, Puyallup, Wash. Quinn just completed a two-term stint as APRO's chief elected officer, 1993-95.



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**The 15th annual APRO convention and trade show is now history. During my six years as your executive director, certain natural patterns become more obvious to me.**

**The ending of a convention always portends the beginning of a new direction for this young and dynamic association.**

This new year may be the beginning of one of the most dramatic changes in the industry's history.

The men and women in the rental-purchase industry have been forced by outside agents to defend themselves, their businesses, and business practice in general, for more than a decade. This focus never was the most cherished of directions to take, but was certainly a necessary path to follow to protect our right to serve a clientele that retailers shunned.

An industry has been built and is thriving even though it has been under fire for most of its existence. It hasn't always been pleasant, but the circumstances under which we have grown have helped to create the strength of a relatively small industry.

Two years ago, at the APRO convention at Bally's in Las Vegas, Bud Gates, chairman and CEO of THORN Americas, the parent company of Rent-A-Center, spoke sincerely and eloquently about his vision of the RTO future. Gates told an audience of more than 400 that one day we will overcome the major legislative and tax battles facing the industry at that time. He continued to express his hope that the industry would recognize the need, indeed opportunities, to redirect its energy and efforts to control its own destiny and

rebuild the public's image and perception of the rental-purchase transaction.

I have only been associated with this industry for six years. However, I have studied the history of rental-purchase and have come to the same place Gates alluded to in 1993. In the early days of RTO, the industry was small and diverse, not at all organized as we are today. Uninformed and misguided people took a cursory glance at us and didn't like what they saw. We allowed them, our political opponents, to define who and what we were. For 15 years we have been suffering the consequences and the costs from an image shaped not by us or our customers, but by people who just didn't like the business we created.

A few months ago, the IRS handed down a ruling that settled the sale-vs.-lease issue in our favor. We have a good shot at aligning an appropriate depreciation method to accompany our "lease" status. We are pressing as hard as we know how to get recognition from Congress that we are a lease and should be regulated accordingly. Victory is not at hand, but it is within sight. A big push for the next 12 months and we could reach the promised land.

But what will we do then ... and in the meantime? Do we say that all is well and disperse

and go our separate ways? Or do we seize control of our destiny within the public domain while we are still organized and in great physical and fiscal shape, vowing never again to surrender our personal and professional persona to future opponents?

It's really up to you.

I believe the coming months to be the most critical, difficult, yet opportunistic we have yet faced as an industry. The decisions made this next year will decide who we will be tomorrow and how many battles and wars we will have to fight in the future.

Contact me or any of your board members on how you feel and what you want us to do for you. And help yourself by participating fully in the direction of RTO.

Thanks to all who participated in the recent convention and trade show in Las Vegas. By all accounts, this was the largest and best in APRO's 15-year history. I especially want to thank three individuals with whom I have had the pleasure of working with over the years. Allen Lewis and Norm Slatton, retiring APRO board members. Both of you are special. Also, thanks Kevin, Angie, Courtney and Casey for letting me be a part of your lives during the past two years.

*Bill Keese is APRO's executive director.*

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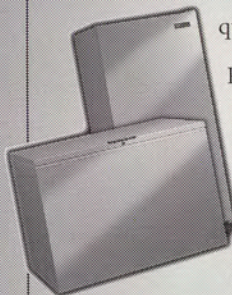
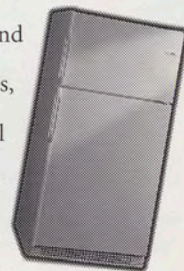


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---

# Jewelry's a Gem

As recently as 1989, jewelry was a controversial product in rental-purchase circles.

Many dealers were skittish because of inventory costs and the risk of theft. Most industry attorneys were concerned that jewelry didn't fit in with the other household necessities found in RTO stores.

Today, jewelry is an accepted part of the RTO product lineup. Dealers have learned that jewelry gives them certain advantages over other product types.

"There are very few products that could ever generate the profit per square foot that a good jewelry program can generate," says Richard Grossman, national sales manager, Jerry Bogo Co.

"Now it's more just a part of the program for us," says Mike Walts, jewelry manager for 67-store Alrenco. "But jewelry was really a big deal when we first started. We've been doing it seriously now since the fall of '90."

The question rental-purchase dealers pondered five or six years ago was: Do I add jewelry to my stores? By 1995, that's no longer the issue. Jewelry is legitimized in the rental industry. The benefits it offers dealers and customers are demonstrably genuine, and early problems

have largely been overcome.

Debate now seems to revolve around the intrinsic value of "live" jewelry programs vs. the economy of "sample" lines.

"I'm not an advocate of the brass-and-glass approach," says Wayne Sutton, owner of seven-store Instant Rent To Own in Hammond, La. "Live goods are the way to go. We wouldn't dream of putting sample VCRs on our shelves, or sample sofas or sample refrigerators on our showroom floors."

Sutton, who has seven years of experience dealing with jewelry, says the product accounts for a healthy 7 percent of his company's BOR.

"We need to treat jewelry like any other product we have in our stores," adds Sutton, who was elected to the APRO Board of Directors in August. "Our customers deserve the same level of quality and service with jewelry that they do with all of our other products. When they decide they want it, they want the real thing—and they want it then."

Alrenco's Walts also believes live goods are the best approach for long-term success in rental-purchase jewelry.

"It took—as you can imagine—a substantial capital investment,"

Continued on page 15

BY JOHN GORMLEY





**Without written policies and procedures, certain ideas, directives and processes can change dramatically as they are distributed throughout different levels of the company.**

**Say you decide that all inventory will be audited on the third Wednesday of each month, and somebody must call last month's pickups for redelivery the same day.**

You go home thinking you've just solved two big problems today.

But part of what you want will be misinterpreted at the outset by people who weren't listening or have no interest in the outcome. Then supervisors, who are more limited in their resources than you are in your thinking, will make a few adjustments for schedule problems, skill levels and comfort zones so as to minimize disruption to their routine.

And some parts of the directive get discarded altogether due to attitudes and priorities that simply don't match yours. The people aren't bad apples, just independent.

Nevertheless, the results of the project may look like what you wanted. That's if you're lucky. Even then, it's always more costly, takes longer to get and carries significantly greater risk than it has to. Meanwhile, your competitors are that much farther ahead.

Writing a procedures manual or policy book for your company doesn't require hiring an MBA or bringing in a high-priced consultant. You may certainly do either, but if you've been even reasonably successful in the business so far, then it's a safe bet that someone in your company knows how things should be done. Realize, though, that getting much bigger—and managing the attendant risks—requires that those things, and others, be reduced to writing and distributed to every employee in every store.

A procedures manual is nothing more than a how-to book for accomplishing all the tasks which together make up the daily routine of a rental store. It is the Owner's Manual for anybody who owns a job in your company.

Policies are different and should not be confused with procedures. Don't try to combine them in one publication. While a procedures manual describes how tasks get done and results accomplished, the policy book lays out the rules people must follow to get there.

But a certain, limited amount of crossover in the two is necessary. The procedures manual should list the company's operating standards and ratios as a means of explaining why jobs have to be performed in a certain way. The policy manual addresses the same thing from a different perspective: "If 'X' doesn't occur at the end of the month, then our policy is 'Y.'"

There are some simple rules to follow in creating a basic procedures manual. First, list the objectives, results or accomplishments that are critical to your operation on a daily, weekly and monthly basis. What should happen when, and who is responsible? Include one page that lists every task a store manager must accomplish each day within a certain time frame.

Next, detail each step in the process of reaching those objectives. Use short, choppy sentences and even shorter words. Omit unnecessary adverbs and adjectives. You're not writing for dramatic effect or to display your wordpower. You are laying out a blueprint for running a store that anybody with average reading skills must be able to follow.

Note: If you can't describe on one page all of the tasks required to accomplish a single objective, such as getting a weekly closeout, you probably don't know enough about it to write the manual. Let somebody else do it (a good choice is the person who's best at that job now; you can always clean up grammar and spelling, but you can't borrow credibility).

Make a section for each area of the business. Begin with the first steps in the rental transaction, store merchandising and getting orders. Follow with verifying orders and making deliveries, add a page on managerial follow-up; go to the next section, and the next.

The section on collections must include some simple but workable methods of both preventing and clearing delinquent accounts.

Cash and inventory control, plant and asset upkeep, and hiring and training each rate a page.

Your procedures manual should develop a clear outline of each job in the store. It must guide the reader through a typical day from start to finish, spelling out time frames for getting things done and describing the end result required. Supervisors are responsible for follow-up. They fill in the blanks by coaching, inspecting and monitoring progress.

There are a few "don'ts:"

1. Don't fill the pages with massive blocks of text; nobody will wade through it to find the good part. Leave plenty of white space.
2. Don't be wordy. When you think it's as thin as possible and covers everything, go back a week later and edit again.
3. Don't refer to forms that may be outdated, and don't describe activity that may be impossible to achieve given the resources. Credibility is critical.
4. Don't pinch pennies; use a good word processor and printer or typesetter. Double- and triple-check for mistakes.
5. Don't make bound copies. Use three-ring binders so you can change or update as the business changes without printing new books. Use plasticized paper that resists soil and tears.

Before you distribute a policy book, let your lawyer review it. Your own employees can proofread the procedures. Gather a small group of your best workers. Take them through the book page by page and be willing to rewrite anything they believe is misleading or inaccurate. There can be no sacred cows.

*Bud Holladay is vice president of marketing for Alrenco. He is a former rental dealer and the founder of APRO.*

Continued from page 12

says Walts, who oversees jewelry buying and merchandising in the Alrenco chain. "But we feel that by committing to it both financially and from a management aspect, our investment's been well returned."

However, the high cost of live inventory—which can exceed \$20,000 per store—is prohibitive for many RTO companies. And some dealers who tried jewelry before and got mixed results are reportedly doing better the second time around with the sample approach.

"Our sample programs eliminate the concerns over inventory costs and security for the most part," says Rich Anderson, vice president rental/credit—retail division of The Fashion Craft Corporation.

For the uninitiated, sample programs use inexpensive replicas of gold and fine gemstones. Sample pieces are for display only. Once a customer makes a selection, store personnel help with sizing—if it's a ring—and the "real" jewelry is ordered for delivery to the store, usually within a couple of days.

Anderson believes it's difficult for RTO dealers to achieve profit through an all-live jewelry program because of expensive idle inventory. However, he adds: "With a sample program you don't buy the 'live ring' until it's rented, so the profit is there from the beginning."

Sherron Shepherd, vice president, ABS Artistic Jewelry, says sample programs, or a smart combination of sample and live jewelry, can represent the best approach for rental-purchase dealers.

"A jewelry case only takes up so much space, 8 square feet, but in that space—assuming you use the silver sample program—you have a much greater selection of jewelry than any other product in the whole store. You can easily have 100 rings, compared to maybe 10 TVs and so on. Jewelry's a much better use of space and return on investment."

Dealers considering any jewelry vendor should assure, through references, that the vendor can deliver on the sample program during peak periods.

"We were delivering sized rings on Dec. 24th last year," Anderson says, "and there are a few others with that level of service."

With the fourth quarter and holiday season approaching, now's the time to focus on purchasing and merchandising, say RTO jewelry experts.

Shepherd of ABS offers money-making advice for rental-purchase operations:

"Dealers need to stock their stores with gold items—rings and chains—to get extra volume. Everybody should have live gold pieces because gold is an impulse item. You can add 5 to 8 percent BOR that way. And at Christmas, typically, 40 percent of rentals is in gold."

For dealers who are researching jewelry as a new product, Shepherd offers these tips:

• Pick a vendor who has rental-purchase experience.

• Your vendor should have a reliable delivery record. "Whenever your customers order an item, you can bet they'll be back in the store within two days expecting to pick it up," she says.

• Choose a vendor who will repair not only defects, but also customer wear and tear.

• Find a vendor who has a fair exchange program.

• Your vendor should have consistent quality merchandise.

Continued on page 17

12 Years of Experience 88-95

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### Strength through Unity

When you join The Rental Industry Buying Group, it's possible for you to experience a 5% to 20% increase in profits. Just this year TRIB members received over 1 million dollars in rebates at the annual convention.

The TRIB annual convention will be held at the Opryland Hotel in Nashville, Tn, May 16-18th for TRIB members.

For more information contact:

John Blair  
3180 Presidential Drive, Suite F  
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**APRO** Associate Member since 1983



**With a momentary break in the political, tax and legal activity, which forever seem to surround the rental-purchase industry, there is a lot of business going on lately.**

**Long without reliable lending sources since the departure of the big three finance companies in the late 1980s, there is money available again, and dealers are trying to put that money to work.**

A lot of the money is public money.

There are now four to five publicly traded rental-purchase companies in the U.S. and another in Canada. (Rent-A-Center is purchasing COMCOA, which will soon take away one public company). A veritable host of private companies are considering going public, since the acceptance so far has been good to spectacular. If you had bought Renter's Choice stock last December, when the company first went public, you would have tripled your money in the first six months. Rent-Way, public for a couple of years now, has doubled the money of its investors.

These are heady days for rental-purchase investment. Odd, since the latest industry survey shows significant declines over the past year in the leading per-store indicators: average BOR, average yield per unit, deliveries, rental income and net revenues.

But then the stock market has been pretty hot, lately, and investors looking at retail companies tend to like niche markets, of which rental-purchase is a readily identifiable one.

As always for public companies, the issue is grow or die. Aaron's has launched a successful rental-purchase franchise program to boost revenues. Renter's Choice and Rent-Way are growing by acquisition. Indeed, there is considerable consolidation occurring within the industry. The last time such a phenomenon occurred was in the mid-'80s, and one of the results of that consolidation period was that values of rental-purchase companies soared to then-unheard-of highs. The Rent-A-Center purchase by THORN, for roughly 34 times monthly revenues in 1987, set what one supposes will be the all-time record high price paid for a rental chain. Lots of smaller, private companies sold for 10 to 13 times monthly revenues—prices at which many, if not most rental dealers, would stand in line to sell today.

Some of those high-priced deals, of course, did not work, ultimately contributing, in some part, to the financial crisis through which the industry has just lived.

The questions now are how much consolidation is going to occur and at what prices? Rental dealers are asking themselves those questions every day. They know that prices are up and may continue to go up for a while, but they also know there is some limit to the rise. Almost certainly, there will be a hard landing for parts of the industry down the road, where too many public companies and other investment money are chasing too few deals at too-high prices.

Rental dealers have the choice, of course, of doing nothing, simply continuing to rent TVs, filling in markets as limited credit lines will permit. These rental dealers will awaken one day, however, to a vastly consolidated marketplace with some large competitors breathing down their necks. When acquisitions quit making sense, major companies will have to figure out some other way to grow. These big companies will attempt this growth either internally in the rental business, which will likely mean cutting prices, and otherwise acting like retailers to gain market share, or perhaps by diversifying.

Rental dealers have some intriguing choices these days. Some are looking at hard offers to sell their companies at eight or nine times monthly revenues. Those are higher prices than the six to seven times they could have gotten not very long ago. The question is: Do rental dealers take the money (or stock) and run, or do they hold out for prices to rise still more—to 10 or 11 times, or even higher—with the risk that the window will close and prices retreat before they can close their deals?

Buyers have equally intriguing choices. The number of 50-plus-store chains that can real-

istically be purchased is dwindling. Buyers will soon be courting 20- to 40-store chains, and there is only a limited number within that range. Soon, the big buyers will have to court the mom-and-pop chains, and the transaction costs of acquiring rental-purchase assets is significant. It may be cheaper to open a few stores and grow them than it is to acquire a few, particularly at juicy prices.

But at least those kinds of questions are interesting. Until lately, rental dealers had to wonder how they were going to renew their notes at six times revenues with lenders who have announced their intentions to exit the business. Answering that question was not fun.

But today, if you are still around and if you like the game of the business, you should be having some fun, ignoring for the moment those pesky falling statistics from the annual survey. Let us suppose that they are all due to a momentary downturn in the rental-purchase business cycle, and things will change for the better in the fourth quarter.

Instead, as best we are able, let us stay focused on the delicious notions of empire building or early retirement, as the case may be.

There is going to be a good deal of both going on in the near future.

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

**Rental Stores Wanted**  
We are interested in acquiring Midwestern rental companies or individual stores. Inquire in confidence to:  
**CARI RENTALS**  
Attention: William Kabourek  
**(402) 553-4950**

Continued from page 15

William T. Johnson, manufacturer, wholesaler and diamond importer at Southern Rings, wholeheartedly agrees with this last point. He says it's important to expect and receive "the same quality every time."

Johnson adds: "Some rings turn because there's not enough gold. Dealers can get sued. If the rings don't have a trademark, there's no protection. If there's no manufacturer's trademark in the ring that's obvious, easy to read, then don't buy the product. It's a federal law for American manufacturers to have a trademark in there."

Alrenco's Walts says it's crucial to have a high level of trust with your jewelry vendor. Of course, the alternative is watching all of your jewelry buys like a hawk.

"There are certainly high and low ends in furniture, but the quality difference is much easier to perceive than with jewelry," Walts points out. "So you have to be on your toes when it comes to buying and either do your research, or be very comfortable with the vendor you're buying from."

In spite of recent store acquisitions that have expanded Alrenco's size—with some of those newly acquired store managers already used to one jewelry supplier or another—Walts says, "We still have the intention of buying from only one vendor. However, I certainly don't limit our options. I shop other vendors extensively and quite often. But, we've been very happy with our jewelry vendor."

Roy Pardini, national sales manager, Prime Source International, has been a jewelry manufacturer and supplier to the rental-purchase industry for eight years. He says experience and flexibility are important.

"We're one of the earliest manufacturers to get into the RTO market," he says, "and we've enjoyed a good track record with the RTO industry. It's not just a small segment of our business—we have an entire division devoted to it. And we think there's a lot of business to come."

Pardini believes the most important thing for rental dealers to remember is "don't be afraid of jewelry."

Vendors and dealers who've had success in jewelry stress the importance of merchandising, in-store training and upper-management's commitment to the product line.

Some vendors, including Fashion Craft and Continental Diamond, provide training videos for their RTO clients. Others, like Global Jewelry Manufacturing, provide comprehensive marketing support. Global's covers areas such as merchandising, displays and presentation, employee incentive packages, sizing, serializing, priority production, computer tags and stock balancing.

"We want to take a lot of the myths out of renting jewelry," says Mark Singer, vice president, Global.

Thomas F. Murphy, vice president of marketing for Continental Diamond, worked six years for a major RTO chain at both the store and home-office levels. He knows the value of presenting jewelry in a way store personnel can relate to and that RTO customers understand.

"We have a merchandising-display system which price-points the jewelry by weekly amounts," Murphy says. "We have five display pads—one at \$9.99 a week, one at \$12.99 a week, one at \$14.99 a week, one at \$16.99 a week and one at \$18.99. In those display pads, there will be a mixture."

Murphy says most people have a high perceived value of jewelry, which gives rental-purchase dealers a distinct marketing advantage.

"By price-pointing all the jewelry pieces it pre-qualifies the customers. They walk up to the display and say, 'You mean I can get that ring for \$12.99 a week? Let me see it.'"

Another advantage jewelry offers RTO operations? It is a product type that lends itself to multiple rentals. And, as good customers become paid-outs, you've got to offer them something new to keep them on the books. Savvy dealers are well aware that jewelry can help stabilize BOR in mature stores.

Instant Rent To Own's Sutton poses the rhetorical question: "How many refrigerators can you rent out to the same customer compared to pieces of jewelry? It's about a 1-to-15 ratio, potentially."

ABS' Shepherd also believes "jewelry is a great way to retain customers. If you keep your jewelry counter near your paid-outs counter, you'll keep those good customers."

Alrenco's Walts concurs: jewelry can be an excellent customer-retention tool.

"Everybody has electronics, furniture and appliances," Walts reasons. "But not everybody has decided to do jewelry or does jewelry well. When you have the ability to do jewelry, and you do it well, sometimes you can keep your existing customer base from going to a competitor."

And Walts goes one step further. "When a competitor's customer wants a nice piece of jewelry, you might be able to gain that customer."

*John Gormley is APRO's communications director.*

## Who's who in jewelry

\*¥+ A.B.S. Artistic Jewelry, Inc.  
2936 N. Druid Hills Rd. NE  
Atlanta, GA 30329-3920  
(404)636-6143

+¥ Jerry Bogo Co.  
P.O. Box 23227  
Chattanooga, TN 37422-3227  
(615)894-4480

\*¥+ Continental Diamond Company  
4427 W. Kennedy Blvd., Ste. 300  
Tampa, FL 33609-2060  
(800)282-5182

\*+¥ Fashion Craft Corp.  
1824 Johns Drive  
Glenview, IL 60025-1657  
(800)877-7907

¥\* Global Jewelry Mfg., Inc.  
117 N.E. 1st Ave., 14th Floor  
Miami, FL 33132  
(305)530-0985

¥ William C. Greene Co.  
2930 Okeechobee Blvd.  
West Palm Beach, FL 33409-4037  
(407)640-0006

\* Harlyn Products, Inc.  
1515 S. Main St.  
Los Angeles, CA 90015-2503  
(213)746-0745

¥ Luke's Jewelry Company  
P.O. Box 241467  
Montgomery, AL 36124  
(800)239-4448

¥ Oro International  
5 N. Wabash Ave., Ste. 1503  
Chicago, IL 60602-4711  
(312)641-0091

¥ Prime Source Int'l., Inc.  
2004 Grant St.  
Hollywood, FL 33020-3546  
(800)624-5448

\*+¥ Southern Rings  
3828 Veterans Blvd., Ste. 201  
Metairie, LA 70002  
(800)826-8812

¥\* Swest, Inc.  
11090 N. Stemmons Fwy.  
Dallas, TX 75229-4520  
(214)247-7744

\*+¥ T&S Import Co., Inc.  
1302 Huntsville Hwy.  
P.O. Box 1079  
Fayetteville, TN 37334-3604  
(800)523-5224

¥ Temptations Jewelry Mart  
418 N.W. 5th St.  
Oklahoma City, OK 73102-3011  
(405)236-4653

The above list of jewelry suppliers that cater to rental-purchase provides useful contact information. All are either APRO Associate Members (\*), advertisers (+) in APRO publications or APRO convention exhibitors (¥).

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# Mixed Blessings

BY ED WINN III

On July 31, the IRS issued its long and anxiously awaited Revenue Procedure (Rev. Proc. 95-38) clarifying that rental-purchase dealers may account for revenues from their rental-purchase transactions as these revenues are actually received. The Rev. Proc. creates a safe tax harbor on the sale-vs.-lease issue for rental-purchase dealers who do business a certain way.

A Rev. Proc. is usually a public statement of IRS internal practices, although in this case it functions as an allowable accounting procedure for taxpaying entities. In the hierarchy of Internal Revenue Code interpretations, a Rev. Proc. falls somewhere in the middle.

At the top of the regulatory heap are regulations issued by the U.S. Treasury Department. Beneath the regs are temporary regs which function until the permanent regs are drafted. Below these come revenue rulings, which are issued by the national office of the IRS. They are usually narrower in scope than regs. Below Rev. Rulings are Rev. Procs., again issued by the IRS. Below Rev. Procs. are public and private letter rulings, usually answering company-specific tax questions. Technical advice memorandums (TAMs) fall in this category.

The IRS has issued two TAMs on the sale-vs.-lease issue,

both concluding that the rental-purchase transactions in question were sales. The Rev. Proc. effectively overrules these two TAMs.

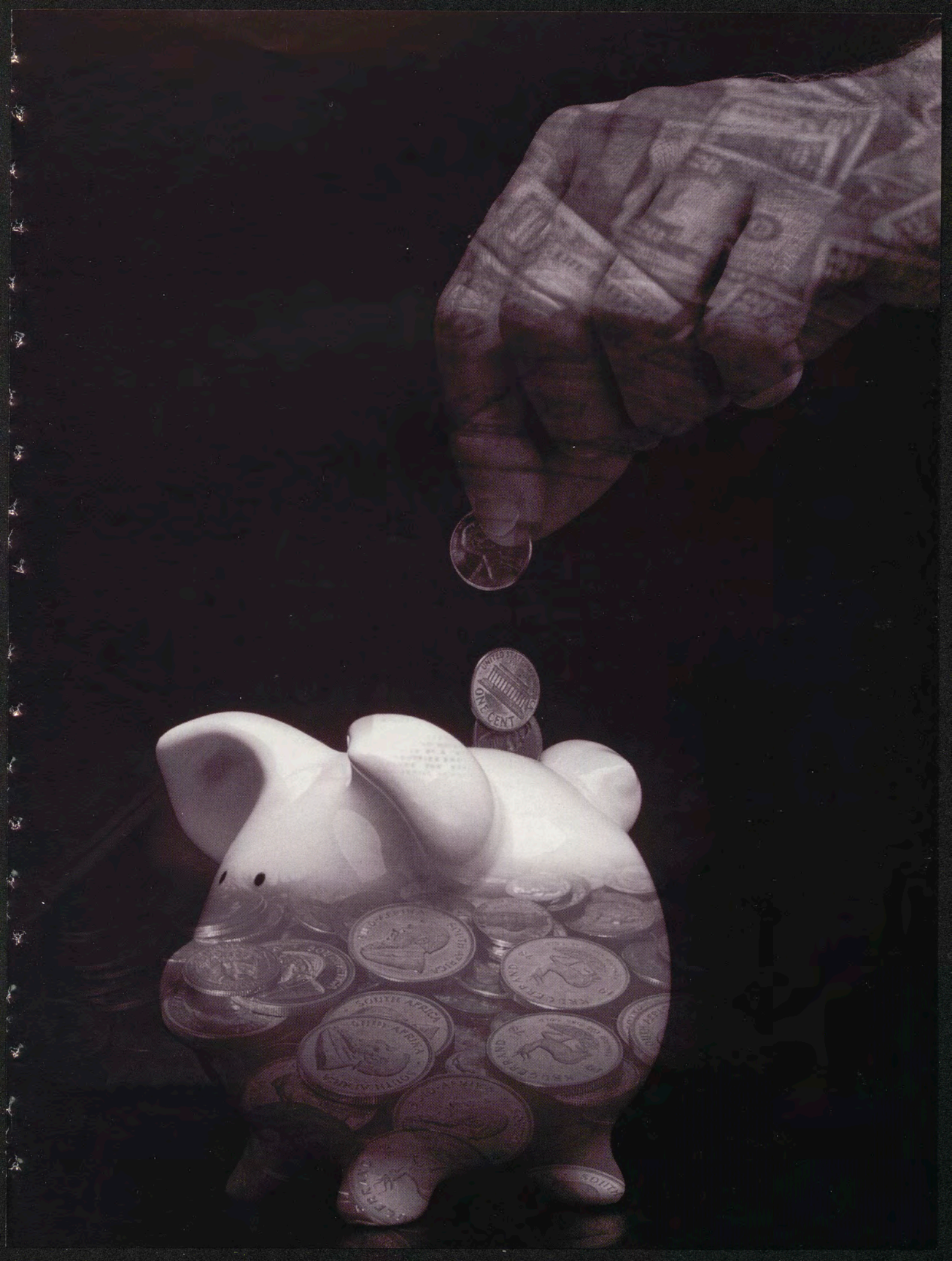
The history of events leading up to the issuance of the Rev. Proc. has been recently chronicled in *Progressive Rentals* (see "Tax Moves," page 18, April/May 1995).

Rental dealers will first of all want to compare their businesses to the one protected by the Rev. Proc. If the business fits, and the Rev. Proc. applies, the dealer need no longer be concerned with the re-characterization issue under the Internal Revenue Code.

Importantly, however, if a rental-purchase transaction is not covered by the Rev. Proc., it does not mean that the transaction is necessarily a sale. It merely means that the transaction does not have the protection of the Rev. Proc. The characterization of the transaction for tax purposes in such a case will still depend on the facts and circumstances surrounding the transaction, including—perhaps most importantly—the intent of the parties.

The IRS has no interest in providing a wide, deep harbor for the many different kinds of lease transactions in the marketplace. It wanted a narrowly drawn Rev. Proc. to allow for

Continued on page 24



# RTO EXPANDING



R. Charles Loudermilk, Sr.,  
Chairman and Chief Executive Officer

**The rental purchase franchise program of industry leader Aaron Rents, Inc. ranked at the top in one national survey and placed second in another.**

**Total rental purchase stores increased by almost three times, marking the company's 40th year. Propelling this growth is the concept of superior customer service, high quality merchandise, competitive pricing, and larger stores.**

• • • • •

Aaron's Rental Purchase, the rapidly growing division of Aaron Rents, Inc. (NASDAQ: ARONA and ARONB), is finding strong response to its franchise program, ranked first nationally in *Entrepreneur* magazine's 16th Annual Franchise 500 in the appliance/furniture rentals and sales category. The Company also ranked second nationally in the 5th Annual Franchise Gold 100 sponsored by *Success* magazine and Ernst & Young.

In two years, Aaron's Rental Purchase stores have tripled and now total almost 130. Revenues have increased from \$25 million in 1992 to \$48 million in 1994 and \$75 million (\$88.2 million including franchised stores) in fiscal year 1995, ended March 31. For the first quarter of the current fiscal year, systemwide rental purchase revenues rose 39% to \$27.1 million.

## \$95 MILLION IN 1996

The Company plans to open 12 more franchised stores by March, 1996, when revenues of this division are expected to hit \$95 million. By 1998, the Company expects to reach 100 franchised stores.

Propelling this growth is the Aaron's Rental Purchase concept of superior customer service, high quality merchandise, competitive pricing, and much larger stores than typical RTO operations. Aaron Rents is the only company in its industry with its own furniture manufacturing division, MacTavish Furniture Industries, which has five plants in Georgia and Florida.

With their much larger showrooms, the new Aaron's Rental Purchase stores display a wider selection of merchandise, up to 30 furniture suites versus only five or six in a typical RTO store. The range of merchandise, combined with store size, appealing interior design and more attractive store locations, enable Aaron's Rental Purchase stores to reach a higher end of the market.

## NEW CONCEPT WORKS

R. Charles Loudermilk, Sr., Chairman and Chief Executive Officer, states that "Our new rental purchase concept simply is a better way to get quality merchandise to the vast numbers of under-served Americans."

Typical of the rapid growth of Aaron's Rental Purchase franchises is the partnership operating two stores in metro Washington, D.C. Partners Jim Conyers, Mark Wilford and Cort Hill, all former managers at Rent-A-Center, are planning to expand their franchises. Instead of three stores as originally envisioned, the partners plan to have seven Aaron's Rental Purchase stores in operation by mid-1997.

## FAST-GROWING BUSINESS

Aaron's Rental Purchase franchises are attracting a growing number of independent furniture rental owners, traditional furniture retail business owners and even automobile dealers.

Franchise owners include:

- Her-Kel Investments, Inc., Atlanta, experienced franchise operators.

- Alco Furniture, Inc., a rent-to-rent operation in Cleveland, OH.
- Ruby-Gordon, Inc., a three-store furniture retailer in Rochester, NY.
- M. Goldberg and Sons, Inc., a six-store furniture retailer in the Syracuse, NY area.
- G.N.S. and Associates, Inc., a former Curtis-Mathes dealer in Mobile, AL.
- Bodrus, Inc., former small business owner in Florida and Alabama.
- Atlantic Coast Investments, Inc., former Rent-A-Center operators in Virginia.
- CherryDale, Inc., a retail furniture business in Battle Creek, MI.
- Affordable Rents, Inc., an automobile dealer in eastern NC.
- Charles Smithgall, III, partner in two Atlanta, GA radio stations.
- Bowline Partners, two former Rent-A-Center operators in Indiana, with new Aaron's franchise in Springfield, MO.
- Lifestyle Furniture, retail rental furniture business owner in Georgia and Alabama.

For more information, call Todd Evans, Aaron's Rental Purchase Director of Franchise Development, at 1-800-551-6015.

# The \$1,925 "GOOD AS GOLD" Program from Fashion Craft



## The profitable way to add jewelry...without a major investment!

### HOW DOES IT WORK?

For \$1925, you receive 100 gold-plated sterling silver rings with synthetic stones to use as "samples" in your store. Included with the rings are all the accessories, marketing support and training materials you need to do business immediately.

Once a ring is selected, and the size is determined, place the order through our toll free number. The genuine ring will be received by you within 3 working days.

### WHY DO YOU NEED JEWELRY?

Can you afford to send 5% to 10% of your customers to the competition every week to make ring payments? How about profit? With jewelry you don't have delivery and service costs to subtract from revenue as with electronics and appliances. Jewelry stays out and turns dollars. The only negatives have

been the cost of inventory and security which Fashion Craft has eliminated with their "Good As Gold" program.

### HOW SOON CAN YOU BE IN BUSINESS?

In a matter of days you can be in the jewelry business with a proven program used in hundreds of stores just like yours.

DON'T WAIT...prepare for the upcoming holiday selling season by being the first in your market to offer this super program.

In addition to a complete line of fine rings, we have 10K and 14K gold chains, earrings, pendants, bracelets and Gruen watches. We can also provide cases, case interiors and lighting at an additional charge.

A toll free phone call will get you started.

*The Fashion Craft Corporation*

1824 Johns Drive Glenview, IL 60025 800-877-7907

# Finding a Champ

Identifying and recruiting quality personnel is crucial to the success of rental-purchase companies. Of course, this human-resource truism applies to virtually all companies within every industry. We all recognize the need for good people at every level.

But what about the heavy-hitter who could really make a difference? Someone whose breadth and depth of experience—and fresh perspective—could help take your RTO company to the next level.

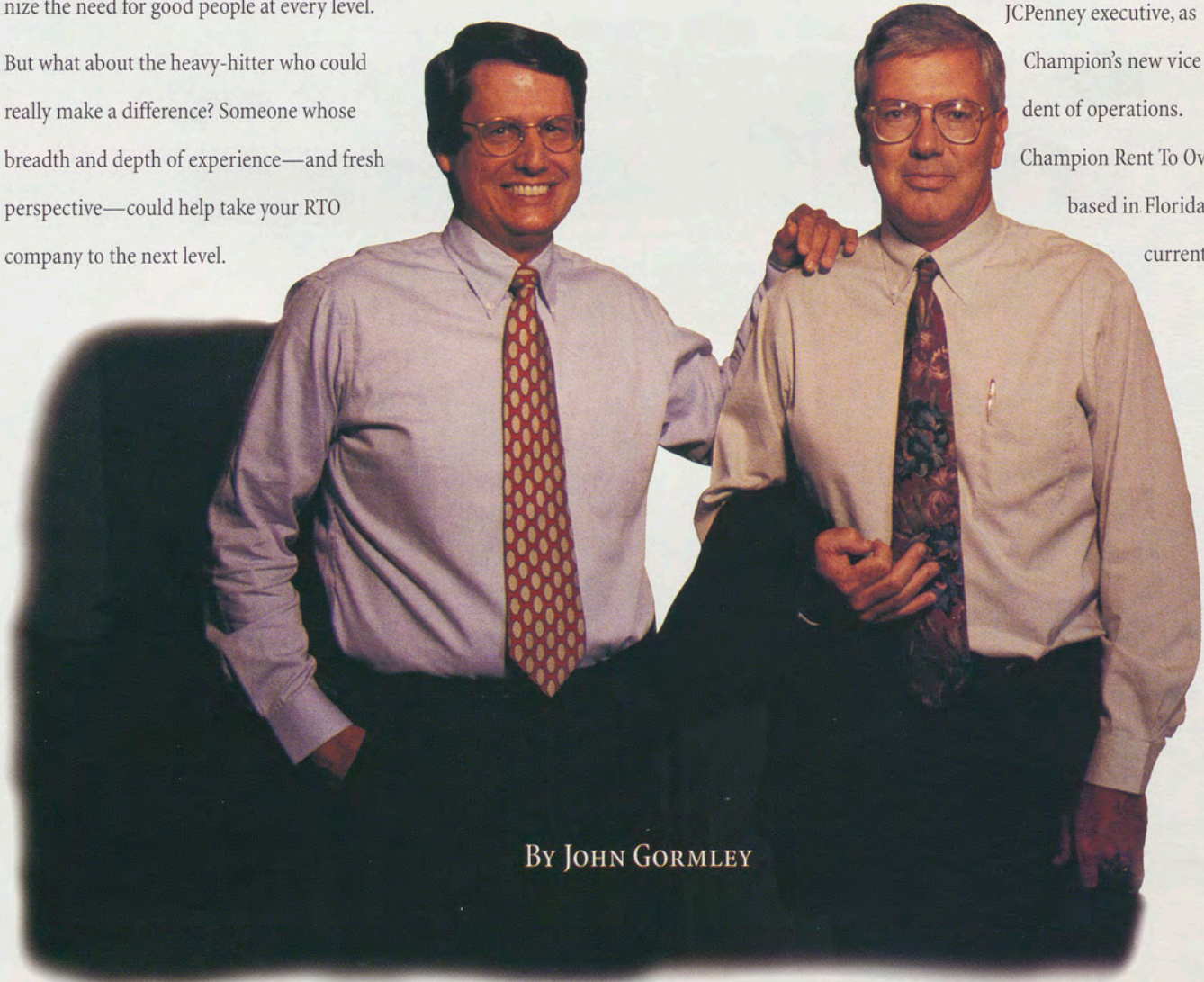
How do you go about finding and attracting this key person?

Paul Upchurch, president and CEO of Champion Rent To Own, seems to have made all the right moves in hiring Robert Eales, a veteran

JCPenney executive, as

Champion's new vice president of operations.

Champion Rent To Own is based in Florida and currently has



BY JOHN GORMLEY

136 stores throughout the Southeastern U.S.

Eales, a Tampa native and University of South Florida graduate, began work at Champion last October. Joining the Champion management team provided Eales with a set of new challenges—and the opportunity to return home from Atlanta, where he held his last executive position with J.C. Penney Co. Inc.

His new responsibilities include the operations of Champion's 68 company-owned RTO stores. Eales will also oversee an aggressive company-wide expansion program.

"The leaders of Champion are definitely focused on long-term growth as opposed to short-term gain," Eales says. "And it's exciting to be involved with a company that is focused in that direction."

Eales left JCPenney as regional systems manager. His 20-plus-years' tenure included senior-management positions in both single and multi-store environments. Eales left behind a secure career with a well-known retail giant to help grow a progressive, albeit much smaller, rental-purchase company.

CEO Upchurch has been thorough in determining Champion's needs, researching new management positions, identifying candidates and narrowing the field. Much like he did in 1989, when he created the position of chief financial officer at Champion and later filled it with Tom O'Keefe, Upchurch followed a methodical process in finding the right operations VP.

Says Upchurch: "I spent a lot of time formulating the profile of the person I thought would be best suited for the position, taking into account the company's mission, the company's culture and the specific responsibilities of the position. And then I set out to find the person."

What Upchurch found in Bob Eales was someone who shared the same philosophies in culture-building areas such as customer service, vendor partnerships and employee development.

"If you want long-term success, you've got to create an environment in which people genuinely enjoy what they're doing," says Upchurch.

Eales and Upchurch learned about each other through a mutual acquaintance, Champion affiliate owner Gary Jackson of North

Carolina.

Recalls Eales: "I have a friend in the business, so I wasn't a total stranger to rent-to-own. In conversations with him on a fairly regular basis, I had the advantage of understanding what the business was and how it worked."

Upchurch learned of Eales late in the search process, after advertising Champion's vice president—operations position in the Wall Street Journal and receiving more than 300 résumés.

And while Upchurch looked inside the rental-purchase industry for top talent—he visited with several executives about the new position at Champion—he also did not rule out an outsider to fit the bill.

"I wasn't thinking at the time necessarily of someone with retail experience," remembers Upchurch. "I felt very strongly that we had substantial rent-to-own-experienced folks already at Champion. What I was looking for was a person who would be in a position to shape and mold that talent—those human resources—into a forceful rental team."

Since Eales joined Champion last fall, he played a role in bringing another JCPenney talent over to the RTO company, new human resources director Charles Sanders, who started work at Champion in April.

Says Eales: "Because Chuck already knew me, I could talk to him about the values that exist here at Champion and the opportunity that this industry represents. The fact that we've known each other for several years lent a lot more credibility to what I was telling him."

Similarly, in the case of Eales' recruitment, Upchurch says neither he nor Eales tried to do a sales job on the other.

"We formed a partnership very early in the process of determining whether Bob Eales would be a good fit for Champion and Champion a good fit for Bob Eales. Bob and I, together, analyzed the situation—both from Bob's standpoint and from Champion's. I did not want Bob Eales to leave that opportunity at Penneys to come to Champion only to find that it was not the right move six or 12 months later. And nor would he have wanted me to have filled such an important position as he now holds at Champion with someone who, six to 12 months later, was not happy.

"So our interests were aligned in assuring

ourselves that this was the right fit. I was not trying to be persuasive as much as informative about the opportunities at Champion. And, by the same token, Bob was not trying to be as persuasive as he was informative about the talents he would bring to Champion."

For Eales, establishing a high level of trust was necessary before considering such a monumental career move.

"You have to feel very comfortable with the situation you're going into," he says. "Through my mutual acquaintance, Champion and Paul Upchurch gained credibility, in my eyes. And, conversely, Paul knew more about me than somebody he may have come in contact with only through a résumé."

Eales' favorable impression extended from Upchurch to company owner Bill Ogle and the quality of Champion's people, including legal assistant Margo Tillotson, an active participant in APRO's congressional visits on Capitol Hill.

"It's a great opportunity to work in a company where the leaders, Paul Upchurch and the owner, Bill Ogle, are focused not only in growing the business but also in the manner in which the business is conducted," Eales says. "They're focused on giving excellent service to the customers, giving the employees opportunities to grow and develop, and forming partnerships with the vendors that are mutually beneficial. They want to conduct their business by doing the right thing. And if they have to choose between making an extra buck or doing the right thing, they're going to do the right thing."

Eales confirms, in his case, making the most difficult of career decisions wasn't so difficult.

"If you just talk with Paul Upchurch and Tom O'Keefe for a while, you can see the type of culture that exists and the values that they exhibit. Those are people you like to be in business with. And my values are aligned very much with theirs. It's made for a pretty good match."

*John Gormley is APRO's communications director.*

Continued from page 18

lease treatment of the specific kind of rental-purchase transactions that were the subject matter of the two lawsuits pending in U.S. Tax Court, known commonly to industry insiders as Grauel and Rarick's.

It is useful, therefore, to begin an analysis of the Rev. Proc. with the definition of a "rent-to-own contract" which contains the following 11 elements:

1. Is a contract between a rent-to-own dealer and a customer who is an individual;
2. Is for the use of an item or items of consumer durable property;
3. Is titled "Rent-to-Own Agreement" or "Lease Agreement with Ownership Option," or uses other similar language;
4. Denominates the rent-to-own dealer as the "lessor" and the customer as the "lessee," or uses other similar language;
5. Provides for a weekly or monthly payment period and a level payment rate;
6. Provides that legal title to an item of consumer durable property remains with the rent-to-own dealer until the customer makes all the weekly, or monthly, or early purchase payments required under the contract to

acquire legal title to the item of property;

7. Provides a beginning date and a maximum period of time for which the contract may be in effect that does not exceed 156 weeks or 36 months from such beginning date (including renewals or options to extend);

8. Provides for level payments within the 156-week or 36-month period that, in the aggregate, generally exceeds the normal retail price of the consumer durable property plus interest;

9. Provides for payments under the contract that, in the aggregate, do not exceed \$10,000 per item of consumer durable property;

10. Provides that the customer does not have any legal obligation to make all the weekly or monthly level payments set forth under the contract, and that at the end of each week or month the customer may either ...

- Continue to use the consumer durable property by making the next weekly or monthly payment, or

- Return such property to the rent-to-own dealer in good working order, in which case the customer does not incur any further obligations under the contract and is not entitled to a return of any payments previ-

ously made under the contract; and

11. Provides that the customer has no right to sell, sublease, mortgage, pawn, pledge, encumber, or otherwise dispose of the consumer durable property until all the payments stated in the contract have been made.

Each of these factors raise issues for rental-purchase dealers depending upon exactly how they do business, even though these eleven characteristics were intended to define with precision most rental-purchase transactions as they are currently structured in the U.S.

The first requirement throws out all rental-purchase transactions with businesses, apartment complexes and other entities which are not individuals. In most cases, this will be an insignificant number of rental agreements for rental companies.

Consumer durable property is defined in the Rev. Proc. as "tangible personal property generally used in the home" with a number of examples of items found in most rental stores. Specifically excluded from the definition is "real property, aircraft, boats, motor vehicles, or trailers." Open issues would

Continued on page 40

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COVER **Story**

# one Way with



RENT-WAY

BY JOHN MASSEY



**B**ill Morgenstern holds the dual titles of president and chief executive officer of Rent-Way, Inc. Just 16 years ago, Morgenstern entered the industry as a route manager for Rent-A-Center; today he runs a thriving 87-store rental-purchase chain that has doubled in size twice in less than two years since taking its stock public.

Morgenstern may stop now and again to take a breath, but those brief pauses shouldn't be interpreted as anything but brief pauses.

Rent-Way's mission is to get big, and Morgenstern means bigger than his company's current level of \$50 million in revenues.

"When we went public in 1993—all through the road show when we were out telling investors what our objectives were—we said we had our eyes on capturing 6 to 10 percent of the industry by utilizing the capital markets and their access to the equity markets," Morgenstern says. "Six to 10 percent of this market is \$300 (million) to \$500 million, and we're still a long way from that."

Rent-Way, founded 14 years ago in Erie, Pa., operated 19 stores when

Morgenstern took its stock public. Rent-Way doubled in size in 1994 by acquiring DAMSL Corp., and earlier this year, Rent-Way acquired 45-store McKenzie Leasing.

Driven by Morgenstern's tremendous enthusiasm about this industry's potential and some record-breaking revenue figures, Rent-Way won't sit still for long. On Aug. 30, Rent-Way announced it was jumping from the Nasdaq Small-Cap Market to the larger NASDAQ National Market System. The stock is traded under the ticker symbol

RWAY.

"We have a good team of people that we have put together over the years, and this group is very dedicated to the industry," Morgenstern says. "We all believe this industry offers a valuable service and product to the customer, and we believe we have the system, controls and procedures in place to go out there and



be a significant player to attract customers, take care of the customers and participate in what we think is still a very exciting industry."

Continued on page 34

# “RCA...A Long to the Rent



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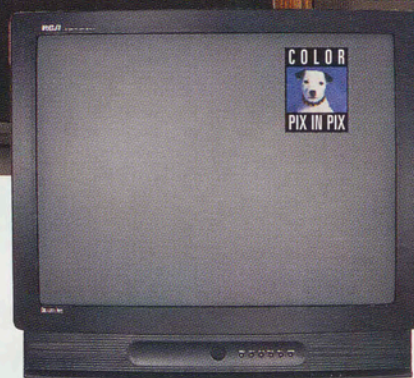
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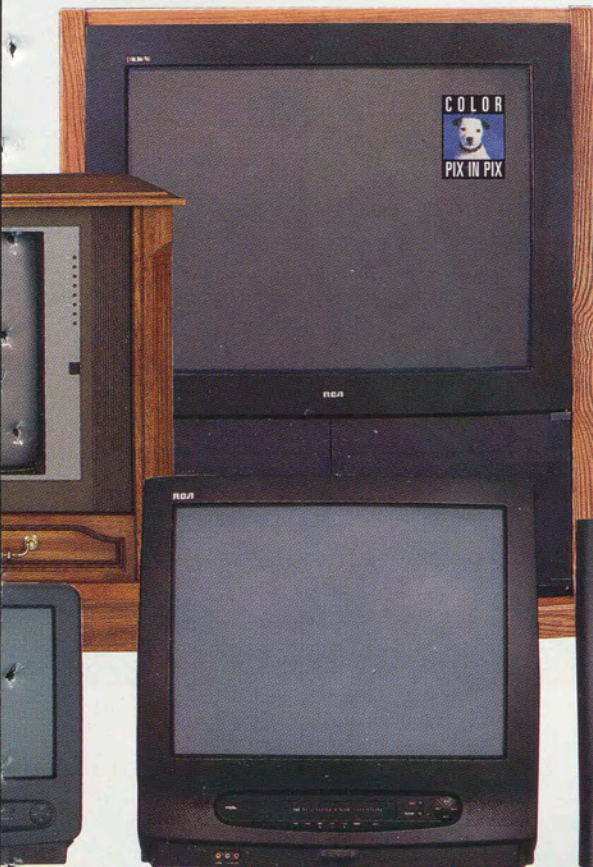
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# Building a **Big** Event

By JOHN GORMLEY



**I**f you build it, they will come.

Following that premise, APRO leaders and convention director Shelley Martinek planned—and pulled off during the week of Aug. 7-11—what industry folks are calling the best rental-purchase show in history.

And show up they did. In record numbers. Approximately 1,800 RTO dealers and vendors participated in APRO '95: Make It Grand! The largest hotel in the world, Las Vegas' MGM Grand, fittingly was site of the largest-ever RTO convention and trade show.

APRO's previous convention attendance record was 1,430, set in 1993 at Bally's Las Vegas. And last year's event in Orlando defied conventional wisdom because it was not in dealer-favorite Las Vegas and yet drew a respectable attendance of 1,351.

However, 1995 will go down in rental-purchase lore as the year the industry turned out in record numbers—in fact, eclipsing the association's previous best by more than 300 participants—for its annual convention and trade show.

Besides being the 15th anniversary of the Association of Progressive Rental Organizations, dealers had a lot of other reasons to claim a whopping 3,193 room nights at the MGM Grand this year. A big reason was the association's sale-vs.-lease victory with the Internal Revenue Service. It was a hard-fought battle, and dealers needed a chance to celebrate with their peers.

Thomas F. Murphy, vice president of market-



ing, Continental Diamond, and former Champion employee of six years, sums up the mood:

"Just like a lot of folks who are in the rent-to-own business, I had quite a scare with the tax issues because my livelihood depends on a viable RTO industry. I consider myself in the RTO business first and foremost—not just a supplier.

"The convention this year was fantastic," Murphy continues. "I think a lot of folks attended because they wanted to celebrate the hard-fought victories. You could really tell that people at the APRO show were genuinely proud and happy to be a part of such a quality organization."

Judging from the results of a survey conducted during the convention by TrendTrak, which used computer-like electronic screens to present questions and record respondents' answers, Murphy is not alone in his assessment. Out of 126 respondents to the question,

"How would you rate the overall performance of APRO?" 54.8 percent answered "excellent," while 38.1 percent answered "very good."

On a separate APRO evaluation form, John Rogers of High Touch, Wichita, Kan., wrote: "I have an IBM background, and this convention was one of the best organized and well-run I have seen. It's a shame that the staff's hard work is seen more in there not being any problems, rather than the actual hard work itself. It's a pleasure to be associated with this industry."

Now, let's relive some of the highlights to find out just what did make APRO '95 the grand event that it was.

#### GOLF TOURNAMENT

Special thanks go out to golf tournament organizer Ted Wilson of Alrengo and sponsor Whirlpool. Despite a record number of participants, somewhere around 180, the tournament ran smoothly and finished on time.

Here are the winners of the 1995 APRO/Joel Eason Invitational Golf Tournament:

- Accurate drive, men—John Spangle; women—Beth Johnson.
- Long drive, women—Beth Johnson; men—Kerry Knott.
- Closest to pin No. 8, men—Larry Sutton; women—Deb Van Dam.

#### TEAM RESULTS

- 5th, Team 15-A:

George Jones, Doug Jones, Jim Mauller, Carl

Continued on next page

Continued from previous page

Ruocco, Bob Parker and Rich Anderson.

• 4th, Team 13-B:

Robert Burdett, Hans Fritsch, Paul Gibbons, Rance Righter, Joe Shank and Cliff Stoner.

• 3rd, Team 4-A:

Mike Decker, Jim Knott, Tim Shannon, Dennis Wokaty, Hank Hutchison and Charlie Short.



• 2nd, Team 16:

Ron Davenport, Darren Tinney, Steve Culbreath, Larry Tinney, Andy Winstead and Phillip Jackson.

• 1st, Team 17-B:

David Kraemer, Tom Lopez, Frank Vetter, Jimmy Clark, Doug Van Dam and Bob Bader.

#### GOVERNMENT RELATIONS AWARDS

During the convention, a number of people were recognized for their work on behalf of the industry. Here are this year's government relations special award winners:

• State association of the year—Arkansas, Ed Staton, Jett TV & Stereo Rentals, president.

• Congressman of the year—Rep. Mel Hancock, R-Mo., who attended the convention with his family.

• Legislator of the year—Arizona state Sen. Jan Brewer.

• Most improved state association—Massachusetts, David Rootovich, Rentown, Inc., president.

• Largest regional seminar—Indiana, Terry Mullins, Rarick's Rent-To-Own, president.

• Largest state seminar attendance—Arkansas.

#### ENTERTAINMENT/EVENT SPONSORS

Here's another look at the APRO '95: Make It Grand! sponsors, listed chronologically by order of convention event:

• Whirlpool, golf tournament.

• Voyager Insurance Companies, state presidents' awards reception.

• Paramount HTP, welcome reception—"Dead Movie Stars Party."

• Fashion Craft & RSSS, *Convention Daily* newspaper.

• G.E. Appliances, general session, keynote speaker; exhibit hall champagne reception.

• FORESIGHT, gala cocktail reception—"APRO's Casa Loco."

• TRIB Group, seminar refreshment breaks.

• Thomson Consumer Electronics, pre-banquet cocktail reception—"Cocktails at Rick's Cafe."

• High Touch, awards banquet—"An Evening in Casablanca."

#### GENERAL SESSION

The Tuesday, Aug. 8, APRO General Session and Business Meeting welcomed entrepreneur Stephen D. King, who presented APRO's 1995 keynote address.

King encouraged APRO dealers to "fight for your rights" and be proactive in dealing with matters affecting their livelihoods. "Don't let the day come when you'll have to tell your grandchildren, 'Well, we used to have a pretty good family business, but the government took it away from us.'"

Other highlights of the 1995 general session: APRO Education Committee chairman Ernie Lewallen, co-owner of Cincinnati-based

United Household Rentals, shared plans to produce an industry-wide television commercial.

Chris Korst, THORN Americas attorney and chair of the government relations and publications committees, gave reports on both areas. He gave an overview of the tremendous progress achieved in the government affairs arena during the last year, and told general session attendees how APRO had continued to dramatically improve the quality of its publications while aggressively negotiating a 20 percent savings on printing costs.

Board member Bob Simons of All Star Rental, South Carolina, talked about the industry's public relations efforts during the past year, while his colleague from Indiana, David P. David of Full-O-Pep, parodied Uncle Sam in a humorous fund-raising appeal for Team APRO. Board colleague Larry Sutton followed with a passionate speech on dealers' commitment to the industry's causes.

Elections were also held during the general session, when representatives from 109 APRO-member companies cast ballots. APRO board members serve staggered, two-year terms and half of the positions come open each year at convention.

Here are the winners for 1995-97:

**David P. David**, general manager of Full-O-Pep Appliances, Inc., based in Bloomington, Ind. David has held his current position since 1981. He currently serves on the APRO Board of Directors and has served on multiple committees. A past president of the Indiana Rental Dealers Association, David still has a leadership position within that organization.

While on the APRO board, David most recently has served on the education and public relations committees.

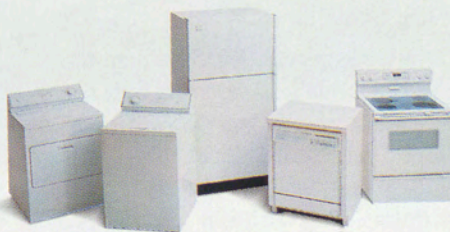
He has been very active in securing safe-harbor legislative protection for the industry at the state and federal levels. He has made a number of trips to Washington, D.C., to lobby his federal representatives on APRO's behalf.

**Richard "Dick" Eichlin**, owner of STAR Rentals, based in Harrisonburg, Virginia. Eichlin entered RTO in 1980 with Universal TV Rental, Inc. In 1986, he accepted a position as rent-to-own division manager for Philip M. Bell Co. In September 1987, he jumped into RTO store ownership, opening the first Shenandoah Television and Appliance Rentals, also known as STAR Rentals. By November 1990, he had expanded the single-store operation to a six-store,

Continued on page 47



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Continued from page 27

Exciting indeed.

Over the past several months, the rental-purchase industry has seen some exciting acquisitions by some of its largest companies. In January, industry founder Ernie Talley took his 116-store Renters Choice chain public. In just a few months, Renters Choice stock had already split and the Dallas-based company acquired 72-store Crown Leasing.

On Aug. 28, Renters Choice announced the \$38.5 million acquisition of 135-store Magic Rent-to-Own, making Talley's company the second-largest in the industry with 325 stores.

Less than a year ago, a Commerce, Calif.-based company, now called Central Rents, completed the acquisition of the Rentronics and RTO Inc. chains, giving Central 174 stores for a reported \$60 million. Central-operated stores in California and Arizona are called Central Rental and Purchase. Rentronics and RTO Inc. stores outside of California and Arizona kept their store names. Central Rents, under president Terry Fleck, is said to be looking to get bigger and has already secured a \$25 million line of credit to finance expansion.

Rent-A-Center, long the largest chain in the industry, hasn't been sitting idly by. Parent company THORN Americas has 1,313 stores; 994 of those Rent-A-Center stores are corporate-owned and 177 are franchise units. Throughout the summer, THORN Americas was working to acquire 118 of those franchise stores, plus six AdvantEdge stores. At presstime, THORN Americas was still negotiating to acquire Georgia-based U-Can Rent, which has 85 stores. According to THORN Americas spokeswoman Nancy Johnson, Rent-A-Center officers continue to look for opportunities that promise healthy growth.

In Little Rock, Ark., APRO board member Charles Cloud expanded his Fastway chain to 40 stores from 23 since Sept. 8, 1994. Cloud's growth came from the acquisition of seven existing stores and opening 10 new locations. Cloud reports: "It's harder today than it's ever been to get stores open, get them up to speed and get the cash flowing. It's been very difficult to find and train hard-working, industri-

ous people. Despite all of that, there's a great demand out there for rental-purchase. This industry is very healthy."

Seeing other rental-purchase companies strengthen themselves only reaffirms Morgenstern's belief that the industry's future is a bright one. The Rent-Way CEO is emphatic when reporting that his company's growth is real, and not just numbers on paper. Morgenstern says revenue at Rent-Way stores

that is exciting. The more and more respected and accepted this type of transaction becomes around the country, the more and more people will want to do it."

Morgenstern qualifies his enthusiasm by stipulating that the bottom line of a financial statement is not the only measure of success, progress and strength in the industry.

Says Morgenstern: "With the consolidation that's taking place now in the industry, I think companies need to be careful about who they acquire and who they are acquired by. Companies need to make sure they are really taking care of their employees and make the employees feel like they are going to be a part of something that's going to be around for a long time. It's not just a quick buck. We have always had long-term aspirations in the business; we've been in the business for 15 years, so it's not like we just rolled off the apple cart."

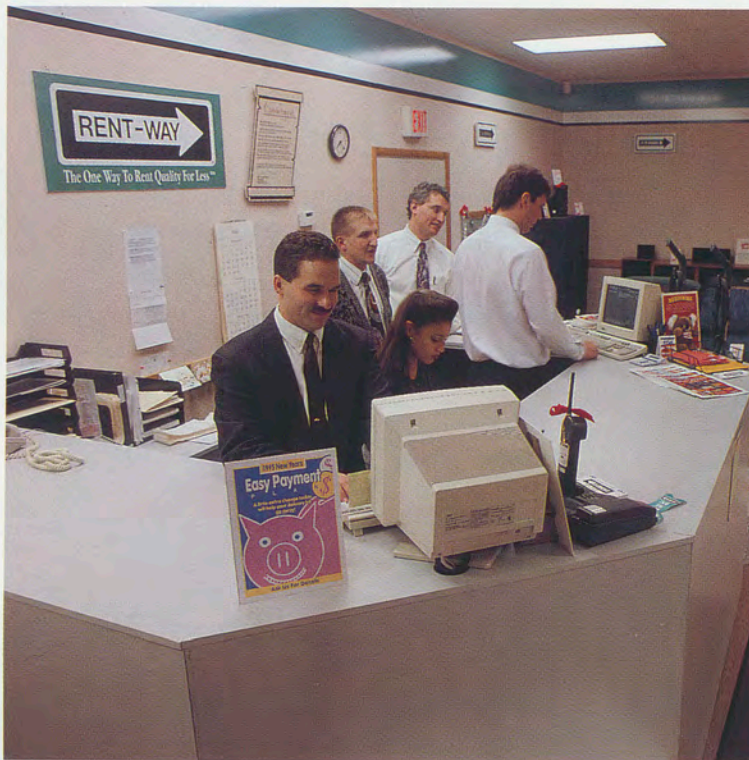
Having started his career on the front lines, Morgenstern understands the importance of staffing a company with talented, trustworthy and enthusiastic people. He says he believes in giving employees enough freedom to make their own

decisions, take a few risks and learn from their mistakes. Most important, he says, is to be up-front with employees at all levels about what is expected of them.

As his company grows, Morgenstern finds he spends less and less time with his front-line troops. That's not necessarily a bad thing, he reports, if you've taken the effort to find good personnel.

"I don't think it matters if you have one store or 1,000 stores, you can only work so many hours in a day," Morgenstern says. "The real key is to be willing to let go of some of the day-to-day responsibilities and trust others to do them. Make sure you have good people there. We can't accomplish our goal of 6 to 10 percent of this industry without fantastic employees.

"I want it publicly stated that I want the absolute best in the industry to work for us. We take care of our people. One of our mission statements is that employees should feel



has edged up dramatically over the past 18 months, "and earnings have followed. It's not just top-side growth. There's been good bottom-line growth, as well."

Two years ago, the rental-purchase industry suffered some attacks on its image from the news media, consumer groups and elected officials at the federal and state levels. Business suffered until rental dealers rallied back with a daring, but highly successful, grassroots political and public relations campaign. Meanwhile, APRO was waging battle for fair treatment of the rental-purchase transaction by the Internal Revenue Service. It has taken plenty of time, effort and money from a determined APRO membership, but the work is paying off.

"The rental-purchase industry is becoming better recognized for the products and services it offers, and that's good," says Morgenstern. "The membership of APRO has worked hard for that reputation, and I think

Continued on page 38



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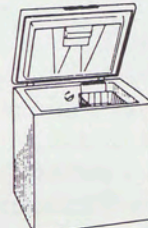
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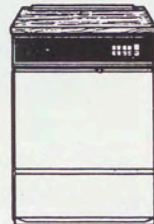
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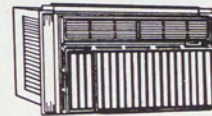
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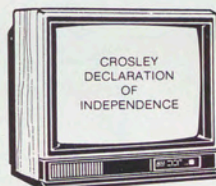


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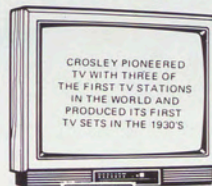


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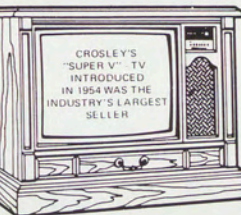
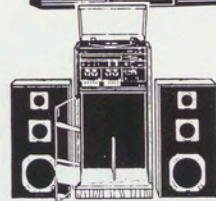
CROSLEY PIONEERED  
TV WITH THREE OF  
THE FIRST TV STATIONS  
IN THE WORLD AND  
PRODUCED ITS FIRST  
TV SETS IN THE 1930'S



CROSLEY  
AUTHENTIC  
JEFFERSON CUP



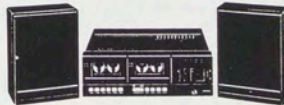
CROSLEY  
FREEDOM  
AWARD



CROSLEY'S  
"SUPER V" TV  
INTRODUCED  
IN 1954 WAS THE  
INDUSTRY'S LARGEST  
SELLER



CROSLEY  
THE  
AMERICAN  
BRAND



**1933**  
PATENTED  
FIRST SHELVES IN THE  
REFRIGERATOR DOOR

**TODAY**  
EVERY REFRIGERATOR  
LOOKS LIKE A  
CROSLEY SHELVADOR

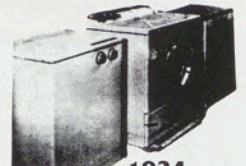
**1935**  
CROSLEY BUILT A RADIO  
IN THE REFRIGERATOR  
DOOR

CROSLEY FIRST AGAIN



**1934**  
WHEN PRESIDENT  
ROOSEVELT PUT ELEC-  
TRICITY IN RURAL  
AMERICA, CROSLEY  
FOLLOWED THE NEW  
ELECTRIC LINES WITH A  
REFRIGERATOR THAT  
RETAILED FOR \$99<sup>95</sup>  
INSTALLED WITH A ONE-  
YEAR WARRANTY. IN  
THOSE DAYS THE  
CROSLEY SHELVADOR  
WAS FREQUENTLY USED  
FOR THE WORD  
REFRIGERATOR.

**1937 - 1947**  
CROSLEY IS FIRST AGAIN  
CROSLEY-BENDIX  
INTRODUCED TO THE WORLD  
THE FIRST PATENTED  
AUTOMATIC HOME LAUNDRY



**1924**  
CROSLEY FIRST AGAIN  
PUSH BUTTON RADIO  
TO RETAIL FOR \$9<sup>99</sup>



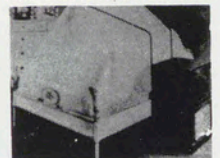
**1937**  
CROSLEY FIRST AGAIN  
FIRST PERFECT PAIR  
WASHER and IRONER



**1930**  
CROSLEY FIRST AGAIN  
INTRODUCED FIRST CAR  
RADIO CALL THE  
"ROAMIO"

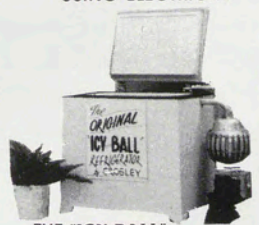


**1930**  
CROSLEY FIRST AGAIN  
AIR CONDITIONED BED



THE "KOOLREST"

**1932**  
CROSLEY FIRST AGAIN  
FIRST REFRIGERATOR TO  
MAKE ICE WITHOUT  
USING ELECTRICITY



THE "ICY BALL"

Continued from page 34

welcome and important.”

But what about the many employees Rent-Way inherited through its acquisitions? In many industries, major corporate acquisitions mean dramatic reorganization and sometimes mass layoffs. Upon acquiring the 45-store McKenzie chain, Morgenstern knew the people in his new stores would be waiting to see a hatchet-toting corporate representative darken their doorways. Addressing those fears was top priority for Morgenstern.

“Most important to remember: The store manager is who your customer is renting from,” Morgenstern says. “The customer doesn’t give a damn about Bill Morgenstern or his corporate office in Pennsylvania. The folks in Indiana could care less about what’s happening with this company at that level. They rent TV sets, furniture and appliances from the store manager on a weekly or monthly basis. As long as we give the store manager what he needs to do business, pay him fairly, give him training and give him some opportunity in this business, it can be a

Again, Morgenstern says, it is the people who perform the day-to-day chores who can make or break a company. Historically, the greatest challenge in the rental-purchase industry for owners and managers has been employee retention. No matter the size of the company, industry-wide turnover rates have always been high.

“By and large, I think you’ll find our people like working for Rent-Way,” Morgenstern says. “It’s exciting to be a part of something that is growing. There’s up-side potential, there are stock options, there’s an opportunity to be a part of a much larger company.

“You have to be willing to pay for performance and recognize when an employee does a good job,” Morgenstern adds. “Give them the recognition they deserve. It’s not just money, although people still want to be paid well. But you can find ways for them to build equity, to build a future in. Stock options give them a piece of ownership in the company, so when the company does well across the board, the value of their options goes up.”

While some executives may disagree with all or part of Morgenstern’s methods and managing philosophy, it’s tough to dispute the healthy numbers his company is churning out. Rent-Way revenues at the nine months ended June 30 were \$17,792,325, up 103 percent from 1994’s figure of \$8,752,361. Net income for the nine months was \$649,489, or 23 cents per share, compared to 4 cents a share a year earlier. Same-store revenues for the nine months increased by 24.8 percent over the prior year for stores open more than 18 months.

*John Massey is APRO’s associate editor.*

**You have to be willing to pay for performance and recognize when an employee does a good job. Give them the recognition they deserve. It’s not just money, although people still want to be paid well.**

“It doesn’t take a genius to figure out that people are everything in this business,” Morgenstern says. “If you don’t have good people, you’re not going to last long. We are very, very committed to keeping senior management and store management in place. You have to pay attention to these people and make sure you give them what they need to run their stores.

“We’ve taken some very careful steps (to calm employees’ fears). For instance, we had a video produced and sent overnight to the (newly acquired McKenzie) stores, so that all of the employees—not just the store managers—could see and hear what this company is all about, the benefits, the changes planned and the differences. The day of the acquisition, every store had this video. We’ve communicated to the management at the store level that we are going to change absolutely nothing in their stores until they have a chance to participate in those changes.

very simple process.

“Store managers are the ones who make the money for this industry. The store manager collects the rental payment, rents the merchandise and takes care of the customer-service needs. If a customer feels good about a company, it’s because of those people in the store. That’s all there ever will be to it.”

While growth is always on Morgenstern’s mind, he said overseeing a smooth assimilation of his 45 new stores will be a major project for a while. The transition after the DAMSL acquisition was very successful, but the addition of 45 stores creates a tremendous challenge.

Says Morgenstern: “We’ll always look at opportunities that come before us, but right now our primary focus is digesting what we have. We’re going to make sure this thing is successful, well-planned and on target. When that’s done, we’ll move on.”

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on in RTO.

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High Risk Consumer Information

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Continued from page 24

include items like portable buildings and car telephones, again, an insignificant percentage of transactions in a typical rental-purchase store.

The name allowed for the transaction is flexible and should include nearly all rental-purchase transactions currently in use by rental dealers. Some dealers refer to their transactions as consumer leases, perhaps erroneously, since that is the term applied to transactions covered by the federal Consumer Leasing Act. But even that term is probably covered by the Rev. Proc.

The designation given to the parties to the transaction, "lessor" and "lessee" is flexible and the Rev. Proc. would likely include use of the terms "rental company" and "rental customer," which many companies use.

Most rental-purchase transactions provide a weekly or monthly rental rate. Having only one rate or adding bi-weekly or semi-monthly rates should not take a transaction outside the Rev. Proc.

Most rental-purchase transactions provide for a level payment rate. They do not, for example, have decreasing rates over time, as is the case in some rental companies in Australia (For example, \$60 per month during the first year; \$50 per month during the second year; \$40 per month during the third year.) Rental dealers have expressed some concern over a different initial payment, often discounted ("\$10 delivers," "first week free"). Even a short first week, or a long first month, can make the first payment different from all of the others. Beyond the initial payment, however, the payment rate is typically level, and these transactions are likely included in the Rev. Proc.

Rental dealers in some states, notably Wisconsin and North Carolina, must offer balloon-purchase options to avoid having their transactions characterized as sales under state consumer protection laws. Even if these transactions fall outside of the Rev. Proc., they are probably still leases as opposed to sales because of the existence of the balloon-purchase option.

IRS rulings, since 1955, have recognized that leases with balloon-purchase options at a higher than nominal price are to be treated as true leases (Rev. Ruling 55-540). The two states where balloon options are most prevalent have both defined nominality with precision. In North Carolina, it is by statute 10 percent or less of the original cash selling price. In Wisconsin, it is by ruling of the state

Commissioner of Banking—12 percent or less of the total of rental payments in a rental-purchase transaction. Although not bound by such state definitions, it is unlikely that the IRS will attack rental-purchase transactions in those states because of the size of the balloon-purchase options. It was precisely because most rental-purchase transactions do not have balloon-purchase options that the IRS began challenging them as sales in the

affect the importance of this limit and the industry might have to renegotiate this limit also with the IRS.

Item 10 is the very essence of a rental-purchase transaction, and is intended to distinguish and isolate the type of transaction used by APRO members from all of the other kinds of leases and hybrid sales transactions that exist in the marketplace. Other merchants might eye the safe harbor afforded by the Rev.

**Some dealers have minimum initial rental terms for certain items, say a 13-week minimum term for furniture. The Rev. Proc. indicates that consumers must have a choice at the end of "each week or month."**

first place.

The retention of title by the rental-purchase dealer until all rental payments have been made or an early purchase option has been exercised is a universal characteristic of rental-purchase transactions. If a transaction transferred title before the occurrence of one of these two events, it is likely a sale.

The IRS originally defined a "rent-to-own" contract as one that could not last longer than 24 months. Industry representatives argued that while such a limit covered most transactions, some big-ticket items might go out on longer terms, but none longer than 36 months, and the IRS agreed to the change.

One cannot with certainty predict that 36 months will always be enough. Original car leases rarely exceeded 36 months. Today some car leases can go for six or even seven years. If the rental-purchase industry ever moves to rental-purchase agreements with ownership occurring after 36 months, it will have to sit down with the IRS and renegotiate this item in the Rev. Proc.

Rental dealers occasionally like to demonstrate that their total rental-purchase price is actually lower than a retail competitor's cash price financed over the same period of time. This is more often the case with furniture than with electronics or white goods. The Rev. Proc. does add the word "generally" to item 8 above and, in most cases, the statement is an accurate one for rental-purchase transactions.

Industry representatives debated among themselves whether the \$10,000 limit would be high enough in all cases. The conclusion was that, for the moment, it is high enough, since the limit is per item and not per agreement. Over time, inflation or technology could

Proc. enviously. If they want to offer no-obligation rental agreements, they can use the Rev. Proc.; otherwise they cannot.

Some dealers have minimum initial rental terms for certain items, say a 13-week minimum term for furniture. The Rev. Proc. indicates that consumers must have a choice at the end of "each week or month." However, the Rev. Proc. also provides that the consumer must not have an obligation to make "all the weekly or monthly level payments ..."

There will be some rental agreements with minimum initial terms that are so long that the transaction is really a sale. Some consumer leases, regulated by the Consumer Leasing Act, which have minimum terms longer than four months and may have a minimum term of six months or a year, may fall outside the Rev. Proc. However, they will still be treated as leases for tax purposes if there is a fair market value balloon-purchase option at the end of the transaction which must be exercised before ownership can transfer.

This item also provides that there can be no return of payments made. This language does not speak to the issue of security deposits. A deposit is not a payment. It is unknown whether rebates are covered by this language. The industry can argue that a rebate is an award for performance of some kind and is not directly tied to any rental payments made.

The IRS may argue that the very definition of rebate means getting something back, and that it must be rental payments the consumer is getting back, since that is all that has been paid. Even if the IRS were to win the argument, the inquiry would still be whether the rental transaction with rebate is a sale by looking at all of the facts and circumstances

surrounding the transaction. The lack of obligation to continue making payments remains a powerful fact in the rental dealer's favor.

The last factor is likewise a universal element of traditional rental-purchase transactions in which the rental dealer contractually limits the consumer from disposing of the rental property before obtaining ownership. Some leases might allow subleasing or other disposal of the property. If so, these transactions would be excluded from the Rev. Proc.

Interestingly, a rental dealer's "keep rate," such an important element in the tax-court litigation, is not a relevant factor in determining the applicability of the Rev. Proc. to the dealer's rental-purchase transactions.

The Rev. Proc provides that an agreement with these eleven characteristics can be treated a certain way for tax purposes. Revenues from these transactions can be treated as rental income. The Rev. Proc goes on to clarify that the sale or other disposition of the property cannot get the advantage of IRC sec. 1231 which allows taxpayers, under certain circumstances, to treat gains from sale or disposition as capital gains and losses as ordinary losses. Instead, rental dealers must treat both gains and losses from sale or disposition as ordinary gains or losses pursuant to Rev. Ruling 80-37.

The Rev. Proc. clarifies that for the few rental dealers who have been treating their rental-purchase transactions as sales for tax purposes—and there are at least a few—a switch will require them to apply to the commissioner for a change in accounting method.

Simultaneously with the issuance of the Rev. Proc. the IRS issued Rev. Ruling 95-52 relating to depreciation of property subject to rental-purchase transactions. In the Rev. Ruling the IRS has repeated the position it advanced in the ABC case that five-year MACRS is the only appropriate depreciation method for property subject to rental-purchase transactions.

Originally, the IRS had proposed this depreciation method as an element of the Rev. Proc so that unless rental dealers were depreciating their rental property under MACRS, they could not get the safe harbor afforded by the Rev. Proc. The two issues are unrelated and the IRS finally agreed to separate them. The ABC case is on appeal in two circuit courts and there is some chance that one of the courts of appeal will overrule the Rev. Ruling.

In the meantime, rental dealers are stuck with it, and many dealers are faced with the

unpleasant prospect of either applying to the commissioner for a change in method of accounting to convert from income forecasting to five-year MACRS, or risk certain penalties in an audit for failing to follow a published Rev. Ruling.

The Rev. Ruling does make clear that rental dealers who apply for a change of accounting method are entitled to pay out any deficiency they owe under IRC sec. 481. This section allows taxpayers who are correcting errors on their returns, under certain circumstances, to pay out a deficiency over up to six years with

no interest or penalties. A company changing accounting methods due to an audit loses the ability to use this procedure.

Despite the Rev. Ruling and the Tax Court ruling in ABC, there is still the legal issue of the applicability of the income forecasting method of depreciation to rental-purchase transactions.

Rental dealers have been using two different methods of calculating depreciation under the income forecasting method.

Continued on page 50

# When You Demand The Best RTO Jewelry Program There's Only One Choice

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# CELLULAR SUCCESS

It's not easy slipping a new product into a rental-purchase store's inventory. Foremost, rental dealers tend to be a cautious bunch with their dollars. When competition in the marketplace is heated, as it has been the past couple of years, there's one four-letter word everyone tries to avoid—idle.

Curtis Spain, president of Curtis Marketing, knows how the rental business works, and he says he has the product that not only has its own unique niche, but it's one that will mean a more impressive bottom line for dealers. Spain, also manager of Onyx Distributing, Inc., claims the INTELIFON is the best cellular phone for the rental industry, and he offers some staggering statistics to show how the rental-purchase industry can join the booming cellular industry.



"The first cellular phone was sold in 1984, and the industry estimated then that there

would be one million cellular subscribers across the country by 1995," Spain says. "Those calculations were off. By the end of 1995, there will be more than 29 million cellular subscribers. Phones are being activated at a rate of 26,000 units a day, and only 10.25 percent of the market has been penetrated."

Where does RTO come in?

Spain has the answer: "While 26,000 phones are activated a day, about 8,000 people a day are denied service. The Cellular Industry Association reports that an estimated 70 million Americans cannot meet the qualifications of their local (cellular service) carriers. For whatever reason—

a recent job change, divorce, extended illness, or bad credit

with the phone company—more than 30 percent of those people who want to get a cellular

phone, walk out of the store without a phone.” When consumers are denied goods by credit-oriented retailers, the rental-purchase industry has traditionally jumped into the picture. When a retailer shuts the door in a consumer’s face, rental-purchase fills the niche with quality products, fair rental rates and—most important—a convenient, no-debt, no-obligation transaction.

Enter the INTELIFON and Spain’s program to manage a fleet of phones designed specifically to meet RTO’s numerous inventory needs, cost concerns AND security fears.

Ron Kelly at Omni Telecom developed the first debit cellular phone, and the patent is pending, says Spain, Omni’s exclusive distribution and sales agent. Since the first phone was developed last year, many changes have been made to make the units more durable and much more consumer- and vendor-friendly.

Spain says there was a 38-percent failure rate for the first phones off the assembly line. He worked with the engineers at Omni and the company fixed the problems, and changes were made in the manufacturing facilities.

In testing the phones, Spain said he had to find all the ways customers could try to “beat the system,” and walk away from huge cellular bills. First, customers pay for all of the airtime up front. A timer on the phone is displayed on a screen, so users know how much time they have remaining.

Early problems were costly, but Spain’s education was priceless. For instance, a month after a customer returned a phone, sometimes a bill would arrive with several dollars in directory assistance charges that the dealer would have to pay for. It was back to the drawing board—or, more precisely, the programming board—to either lock out such calls or have them debited from the customers’ pre-purchased airtime.

Per a dealer’s wishes, phones may be programmed to lock out certain toll numbers, or the debit system may be programmed to charge the user two or three minutes for every minute used. In the end, the customer has access and covers the additional charges for long-distance and directory assistance. Of course, all charges are explained in detail in a customer’s transaction agreement.

The phones Spain ships to dealers are tracked by an electronic serial number (ESN), and Spain sells dealers airtime-control cards with five-digit security codes. A dealer, or cus-

tommer, is able to add time to the phone’s debit system by calling a toll-free number, and a coordinated system provides the appropriate numbers to be punched on the phone. If the ESN doesn’t match the other security numbers, time cannot be added.

a paperweight.”

Again, Spain has learned the hard way. Rental dealers Jim Gramh and Steve Harvanek opened 2nd Line Cellular in Dallas, and Spain used that business to test his product with

**There’s an infinite number of codes, and the numbers must all match for the phone to work. Plus, if anybody tampers with one of these phones, it becomes a paperweight.**

Airtime may be purchased by customers in 30-, 60- and 120-minute packages, at whatever rate the dealer sets to cover expenses and assure a profit. Spain sells the time cards to the dealers for \$2.50 each.

For those dealers concerned about some “hacker” programming free minutes into his or her phones, “you have a better chance of winning the lottery than cracking this system,” Spain assures. “There are concerns about a customer running off with a phone and buying airtime from another dealer, but that has been addressed. There’s an infinite number of codes, and the numbers must all match for the phone to work. Plus, if anybody tampers with one of these phones, it becomes

cellular renters. The phone and its programming board were modified to meet every problem that came up in the Dallas area, from local calling across multiple area codes (three in the Dallas area), to locking out 1-900 calls to customers tampering with the units.

Spain says the best parts of the debit-feature cellular phone for rental-purchase is the control dealers have over the units, fool-proof security features and providing customers with use of a quality item that is denied to them by traditional retailers. That’s a rental-purchase niche that Spain has identified and plans to fill.

*John Massey is APRO’s associate editor.*

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# Lending a Hand

Rental-purchase companies increasingly recognize the advantages of promoting a positive image of our business through involvement in worthwhile community programs. A company's responsibility to its community—what some call "social vision"—involves developing plans of action to improve its community relations. Relationship building—with coworkers, customers and communities—must be at the center of a company's social vision.

Too often, however, considerable time is spent on community activities without receiving credit. Newspaper column inches and broadcast sound bites are excellent criteria for measuring the success of a philanthropic endeavor.

## **WHY MEDIA ATTENTION?**

By generating substantial media attention around your effort and associating your store with a community program, you will enhance your image with community members, past and existing customers, and the news media—but only if they know about it. That's why publicity is critical. Your company also will receive better name recognition and that will help you expand your market. It is well established that stores with the best reputation attract better employees, more loyal customers and more financial support.

Connecting your store with a community program is not a new concept. Large corporations and small companies have tied themselves to local and national efforts for decades—for example, 7-Eleven with Muscular Dystrophy. And, many rental-purchase stores have also participated in national and local community programs.

## **COMMUNITY SERVICE EFFORTS**

Last year, ColorTyme in Texas organized relief and rescue efforts in response to tornado damage that destroyed many parts of a Dallas suburb. Store managers collected and donated 20 refrigerators, 10 living room suites, 25 queen-size beds, 20 washers and dryers, and 15 dinettes. One store manager organized collections from all ColorTyme stores in Texas and contacted Waco radio and television stations to announce the store's efforts. Soon people were bringing clothing, sheets and blankets to the store.

In Ohio, America Rents teamed up with the local chapter of the Salvation Army's food and shelter program to collect and distribute canned foods, blankets, clothes and other necessities, while providing temporary shelter to less-fortunate citizens. To generate interest, banners were displayed outside the stores and the promotion was advertised on the radio. America Rents raised hundreds of dollars



for the program while increasing social awareness within the community.

The Children's Miracle Network, a national telethon, provides donations to children's health-care programs, including the Riley Hospital for Children in Indianapolis that is supported by the Indiana Rental Dealers Association (IRDA). Telethon coordinator for Riley Hospital, Lynda Fasick Neal, encourages companies to use public relations strategies to help publicize IRDA's involvement.

"The motivation behind (the rental dealers') participation is that they have their employees or customers thank them for helping a facility that has helped their children," says Neal. "They are doing a public service and are getting immediate and positive feedback."

Rent-A-Center stores hold a national kids photo ID event in cooperation with the National Center for Missing & Exploited Children and the Polaroid Corporation. More than 1,000 Rent-A-Center stores nationwide hold four free children's photo identification events as part of an effort to provide parents

with personal-safety identification of their children in case of emergency.

In areas where dealers actively sought media attention, they obtained a substantial amount of news coverage, according to Nancy Johnson, director of public affairs of THORN Americas, Rent-A-Center's corporate parent.

#### **PUBLIC RELATIONS TIPS**

To ensure that your philanthropic event receives substantial media coverage, compare your efforts with this checklist:

- **News release.** Distribute a news release to local newspapers, and radio and television stations, to promote news coverage of your initiative. See the APRO Publicity Handbook for more information on how to do this.
- **Posters.** Display in-store promotional posters announcing the store's involvement. Be sure to include dates and times if an event is part of your program.
- **Fact sheets.** Distribute fact sheets to store managers about the philanthropy and your store to ensure that important information is

communicated to the news media.

- **Advertisements.** Tag a message announcing your store's participation at the end of your radio and television ads. A logo with a caption describing your involvement on a newspaper ad is also a good idea.

- **Handouts.** Distribute handouts to customers regarding your promotion. The handouts show your involvement to customers and could encourage them to take action to demonstrate their own support of the community program.

- **Direct-mail pieces.** Mail promotional fliers announcing a special promotion on merchandise with some rental proceeds going to a charitable organization.

Help the industry and yourselves by showing you care and getting credit. Get involved today.

*(Editor's note: The APRO office has several handy guidebooks for rental-purchase dealers focusing on media and community relations. Call 512-794-0095 for more information.)*



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- The maximum value of this certificate which may be applied toward the basic rate of one rental is \$15 off on a compact through a fullsize car rental nationwide or \$20 off a fullsize car rental in Florida. The basic rate does not include taxes and other optional items. No refund will be given on any unused portion of the certificate. Certificate is not redeemable for cash.
- This certificate is null and void if altered or duplicated in any way. In the event of loss or expiration, certificate will not be replaced.
- Offer not valid: 05/25/95-05/27/95, 06/29/95-07/8/95, 07/21/95-08/19/95, 08/31/95-09/02/95, 10/05/95-10/07/95, 11/22/95-11/25/95, 12/14/95-12/30/95, 02/15/96-02/17/96, 04/04/96-04/06/96 and 05/23/96-05/25/96.

For reservations, call your Professional Travel Agent or call Alamo Rent A Car at **1-800-354-2322**. Be sure to request **I.D. Number 204856** and **Rate Code BY**.

**DB95** NATIONWIDE  **DB95** FLORIDA



40627AS-L1695

### ONE FREE UPGRADE

- Certificate is valid for ONE FREE UPGRADE to next car category. Upgrade subject to availability at time of rental, as certain car types may not be available.
- Valid from a compact to a midsize car on rentals of 2 to 14 days.
- Only one certificate per rental, not to be used in conjunction with any other certificates/offers or an Alamo Express Plus<sup>SM</sup> rental.
- A 24-hour advance reservation is required. Reservations are subject to availability at time of booking. Must request coupon code UB28 at time of reservation.
- Offer valid from April 1, 1995 through May 31, 1996 (blackout dates apply).
- Certificate and airline ticket or confirmation must be presented at the Alamo Express® service counter on arrival.
- Certificate valid in the U.S.A. only. Once redeemed, this certificate is void.
- Certificate subject to Alamo's conditions at the time of rental.
- Certificate does not include any taxes or other optional items.
- This certificate is null and void if altered or duplicated in any way. In the event of loss or expiration, certificate will not be replaced.
- Offer not valid: 05/25/95-05/27/95, 06/29/95-07/08/95, 07/21/95-08/19/95, 08/31/95-09/02/95, 10/05/95-10/07/95, 11/22/95-11/25/95, 12/14/95-12/30/95, 02/15/96-02/17/96, 04/04/96-04/06/96 and 05/23/96-05/25/96.

For reservations, call your Professional Travel Agent or call Alamo Rent A Car at **1-800-354-2322**. Be sure to request **I.D. Number 204856** and **Rate Code BY**.



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Continued from page 32

multi-state corporation. He was elected to the APRO Board of Directors in 1992 to fill a vacated, unexpired term and was elected again in 1993 for a full two-year term. Eichlin has served on the government relations, public relations, membership, publications and nominating committees.

**Ernie Lewallen**, co-owner of United Household Rentals, based in Cincinnati. A 15-year RTO veteran and co-owner of six stores in Ohio and Kentucky, Lewallen was elected to the APRO board in 1993. During his term, he's served as chairman of the APRO Education Committee and also chaired the association's fund-raising task force for a year. During his two years on the APRO board, he has a perfect attendance record for all meetings and votes.

Lewallen is also active in the Ohio Rental Dealers Association, serving as vice president last year and currently as secretary/treasurer. He played an important part in getting state rental-purchase legislation passed in Ohio, and he has been very active on the federal front, attending more than 20 constituent meetings in Washington, D.C.

**Kevin Quinn**, president of Quality Rentals, based in Puyallup, Wash. Quinn ended his two-year term as APRO president, during which the nation's dealers rallied to assure the rental-purchase industry's successful race into the next century. Quinn mounted winning APRO campaigns to battle anti-RTO legislation, the Internal Revenue Service and attacks by the news media and consumer groups. During Quinn's term, APRO membership saw dramatic growth, and the association established itself as a force in statehouses and in Washington, D.C.

Kevin owns seven stores personally and is president of the franchise company, Quality Rentals. He bought his first store in 1982. Kevin has also served multiple terms as president of the Washington State Rental Dealers Association.

**Gary Romine**, owner of Show-Me Rent-To-Own based in Farmington, Mo. Romine recently completed his second term as president of the Missouri Rental Dealers Association. He served on the APRO Presidents' Council for three years, and on the APRO Congressional Leadership Council for one year.

While earning a degree from Central Missouri State University, Romine managed a refrigerator rental business, with 500 units on

rent to college students five years before retirement in 1983. In February his first Show-Me Rent-To-Own has eight locations.

**Wayne Sutton**, president of Own based in Hamilton. Own chain of seven stores has been a member of APRO business in 1983. Sutton every convention day



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in next year's show in New Orleans, scheduled for Aug. 11-15. APRO staffers Cindy Ganther and Carolyn Fitzsimmons have pre-sold half of next year's booths in New Orleans.

## SEMINARS

APRO's educational seminars were conducted Wednesday and Thursday, Aug. 9-10. All seminars were scheduled for 1-1/2 hours in length. Titles for 1995 included APRO Government Relations Update, Grow the Business Without Blowing Profits, Lender's Perspective: What Investors Look For, How To Reel in Employees You Don't Want to Throw Back!, New Product Ideas, and Profit & Pressure: Stress Control for Weary Warriors.

Other titles: Industry Tax Issues, APRO 1995 Statistical Survey Results, Know Your Company's Power in Government, Do You Still Believe in RTO?, Rental Customer Survey, Negotiation in Buying: Drop/Warehouse Shipping, Legal Update, How to Make APRO Member Benefits Work For You, 7 Habits of Highly Effective People, Going Public—Investment Finance, Major League Motivation, and 21 Steps to Account Management.

Wrote Gary Ferriman of TVCO

Outlet/Showplace Rental of Marion, Ohio, it was "a great group of seminars. Rental dealers and managers who do not attend are missing a great part of the value of membership."

## RAE AWARDS

Nineteen-ninety-five winners of APRO's Rental Advertising Excellence (RAE) awards competition were on display in the registration area throughout the convention. Here they are, listed by category:

- 1-A Catalog/Brochure, less than 4-color:

Gold, Diamond Leasing Corp.—Kenneth Moye; Silver, Diamond Leasing Corp.—Kenneth Moye.

- 1-B Catalog/Brochure, 4-color or more:

Gold, SKC Enterprises, Inc.—Larry Carrico; Silver, Rent-Way, Inc.—Bill Morgenstern; Bronze, Discount Rental-Ronald Sowers.

- 1-C Letterhead, logo or trademark design:

Gold, Gator Rents—Kirk Kaye; Silver, Bi-Rite Co., Inc.—Norm Slatton; Bronze, Appl. & Furn. Rent All—Robert Elmen.

- 1-D Poster, less than 4-color:

Gold, Alrenco, Inc.—Mike Walts; Silver, Renters Choice, Inc.—Ernie Talley; Bronze, Renters Choice, Inc.—Ernie Talley.

Continued on page 52



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**PROFESSIONAL AUTOMATION TOOLS FOR THE RENTAL-PURCHASE INDUSTRY.**

**APRO** Associate Member since 1984

Continued from page 41

Under the fixed denominator method, the rental company determines what the expected revenue stream from the unit will be during its economic life with the company. That denominator is unchanged for as long as the unit remains in inventory. The numerator becomes the amount of rent actually received by the company on a periodic basis, and the fraction derived from that numerator and denominator is the percentage of cost which the company can take as depreciation from the original cost of the unit.

Under the floating method of income forecasting, each time the unit comes back into idle inventory the denominator is recalculated by estimating the revenue which the unit is yet likely to generate during its remaining life in the company. The denominator of, say \$1,200 originally, might be expected to decrease over time as the unit, now used, comes back into the rental company's inventory before going back out on rent again—and, as the rental company reduces, on subse-

**The IRS has resolved the sale-vs.-lease issue in favor of the industry and saved it considerable legal expense if not additional taxes.**

**At the same time, the IRS has attempted to resolve the depreciation issue the other way.**

quent rental agreements, the number of weeks or months to ownership.

The ABC court ruled on the fixed denominator method only. Several rental dealers who, at least until the issuance of the Rev. Ruling, had been using the floating denominator method are considering a challenge to the IRS position embodied in the Rev. Ruling. They are prepared to distinguish the facts in ABC from theirs.

These two recent pronouncements from the IRS are a mixed blessing for the rental-purchase industry.

The IRS has resolved the sale-vs.-lease issue

in favor of the industry and saved it considerable legal expense if not additional taxes.

At the same time, the IRS has attempted to resolve the depreciation issue the other way.

The Rev. Ruling, if ultimately sustained, will cost the industry some additional taxes, by some estimates \$10,000 to \$15,000 per store for dealers who have been using income forecasting.

Copies of the Rev. Proc. and the Rev. Ruling are available to APRO members. Call the APRO office at (512)794-0095.

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

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A-PRO Associate Member

Continued from page 48

- 1-E Poster, 4-color or more:

Gold, ARCORP, Inc.—Robert Shiffler; Silver, ColorTyme, Inc.—Mitch Fadel; Bronze, ColorTyme, Inc.—Mitch Fadel.

- 1-F Other (Door hangers, coupons, contests):

Gold, ColorTyme, Inc.—Mitch Fadel; Silver, Colorama Rental Center—Kevin Webb; Bronze, Action TV & Appl. Rentals—Bill White.

- 2-A Order Solicitation, single mailing:

Gold, Action TV & Appl. Rentals—Bill White; Silver, 1st American Rental Center—Mac McCullar; Bronze, Action TV & Appl. Rentals—Bill White.

- 2-B Direct Campaign, two to five pieces:

Gold, Alrenco, Inc.—Mike Walts; Silver, Colorama Rental Center—Kevin Webb; Bronze, Colorama Rental Center—Kevin Webb.

- 3-A Newspaper, B&W, half page or less:

Gold, Renters Choice, Inc.—Ernie Talley; Silver, SKC Enterprises, Inc.—Larry Carrico; Bronze, Gator Rents—Kirk Kaye

- 3-B Newspaper, B&W, more than half page:

Gold, Renters Choice, Inc.—Ernie Talley; Silver, Save-All Rentals, Inc.—Scott Savell.

- 3-C Newspaper, Color, half page or less:

Gold, SKC Enterprises, Inc.—Larry Carrico; Silver, Renters Choice, Inc.—Ernie Talley; Bronze, SKC Enterprises, Inc.—Larry Carrico.

- 3-D Newspaper, Color, more than half page:

Gold, Renters Choice, Inc.—Ernie Talley; Silver, Save-All Rentals, Inc.—Scott Savell; Bronze, Countryside Rentals, Inc.—Darrell Tissot.

- 3-E Newspaper, free-standing insert:

Gold, Appl. & Furn. Rent All—Robert Elmen; Silver, Quality Rentals—Kevin Quinn; Bronze, Renters Choice, Inc.—Ernie Talley.

- 4-A Radio, 30 seconds or less, under \$100:

Gold, Countryside Rentals, Inc.—Darrell Tissot; Silver, Renters Choice, Inc.—Ernie Talley; Bronze, Renters Choice, Inc.—Ernie Talley.

- 4-B Radio :30 sec or less, over \$100:

Gold, SKC Enterprises, Inc.—Larry Carrico; Silver, Countryside Rentals, Inc.—Darrell Tissot.

- 4-C Radio, 60 seconds, under \$100:

Silver, Countryside Rentals, Inc.—Darrell Tissot.

- 4-D Radio, 60 seconds, over \$100:



Gold, Bi-Rite Co., Inc.—Norm Slatton; Silver, Countryside Rentals, Inc.—Darrell Tissot.

- 5-A Television, 30 seconds or less, under \$1,000:

Gold, DDJM, Inc., dba Rentacolor—Dwight McQuade; Silver, Colorama Rental Center—Kevin Webb; Bronze, Diamond Leasing Corp.—Kenneth Moye; Honorable Mention, Cleek's Rent To Own—John Cleek.

- 5-B Television, 30 seconds or less, over \$1,000:

Gold, ColorTyme, Inc.—Mitch Fadel; Silver, Central Rents, Inc.—Terry Fleck; Bronze, Alrenco, Inc.—Mike Walts.

- 6-A Specialty item, unit cost \$2 or less:

Gold, U-Can Rent, Inc.—Robert Nazworth; Silver, U-Can Rent, Inc.—Robert Nazworth; Bronze, Gator Rents—Kirk Kaye.

- 6-B Specialty item, unit cost over \$2:

Gold, Action TV & Appl. Rentals—Bill White; Silver, Action TV & Appl. Rentals—Bill White; Bronze, Countryside Rentals, Inc.—Darrell

Tissot.

- 6-C Point-of-purchase material:

Gold, ColorTyme, Inc.—Mitch Fadel; Silver, ColorTyme, Inc.—Mitch Fadel; Bronze, B & L Concepts—Larry Sutton.

- 7-A Outdoor billboard, any size:

Gold, SKC Enterprises, Inc.—Larry Carrico.

- 7-B Transit poster, interior or exterior:

Gold, Alrenco, Inc.—Mike Walts.

For more information on APRO's Rental Advertising Excellence (RAE) program, call Laurie Derton at the APRO office—(512)794-0095.

**GRAND FINALE**

The Thursday, Aug. 10, reception, "Cocktails at Rick's Cafe," and awards banquet, "An Evening in Casablanca," gave APRO convention participants a grand ending to a grand convention.

The association's top honors of the year went to:

- APRO Vendor of the Year—FORESIGHT, Danny Wright and Steve Owens, Norman, Okla.
- APRO Dealer of the Year—Jimmy Strong, Easy Way, Delhi, La.

(Editor's note: Luck was with Strong, who won the drawing for a free hotel room, compliments of the MGM Grand.)

- APRO President's Award—Ron DeMoss, THORN Americas, Wichita, Kan.
- APRO Lifetime Achievement Award—Wayne Chambers, Amigo Rentals, Albuquerque, N.M.; and Bud Holladay, Alrenco, New Albany, Ind.

Two-term outgoing association president Kevin Quinn introduced past APRO presidents Wayne Chambers, Ted Wilson, Dick Grauel, Mac Hennigan, Glenn Davis, Barry Gambini and Bud Holladay. Holladay, the association's founder, gave a short speech.

In a surprise development, "Mr. President" showed up at the banquet to address the APRO membership.

APRO's special guest lingered after the official program ended to visit with APRO folks.

*John Gormley is APRO's communications director.*

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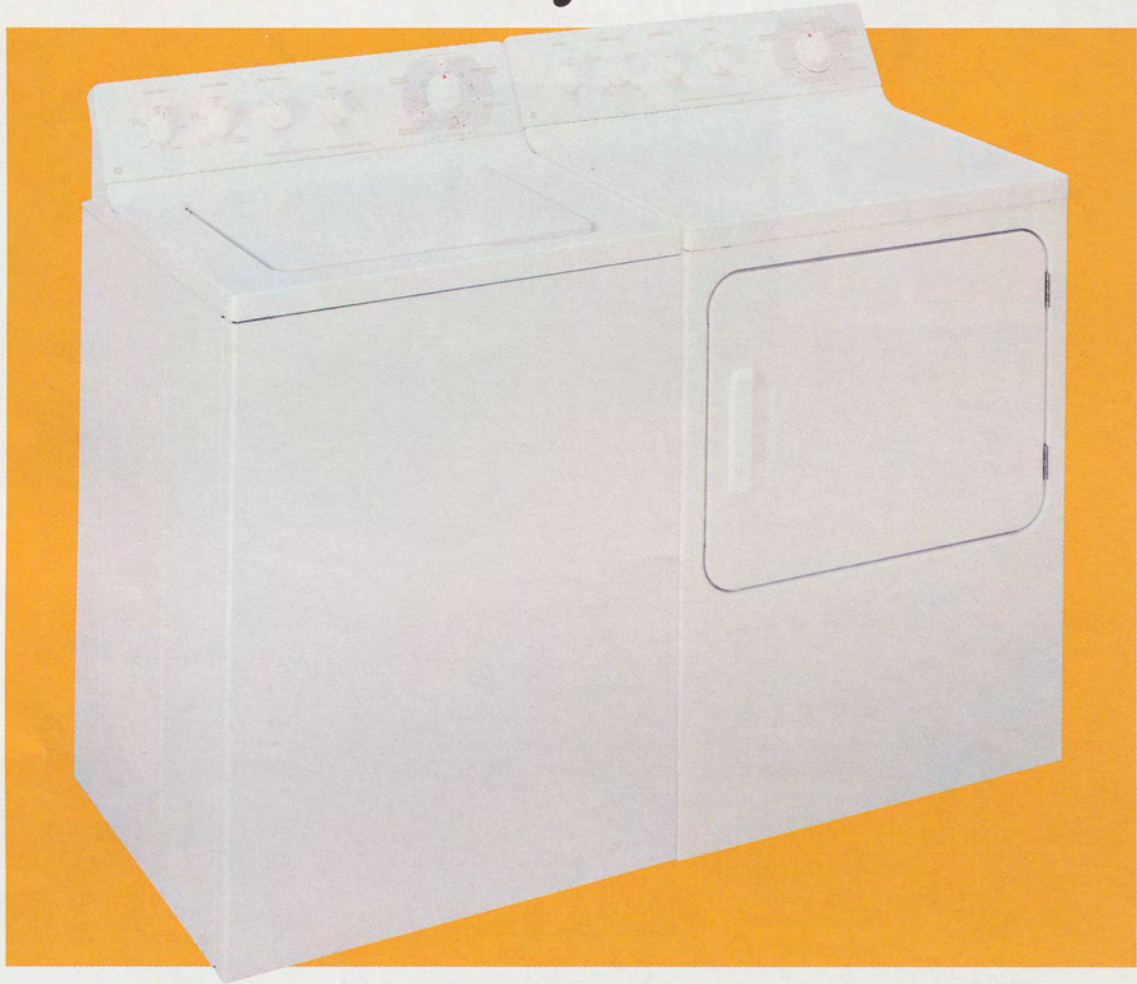
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# Are you looking for laundry easy to deliver and



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### Introducing the new GE Washers and Dryers

Designed for the Rental Purchase Industry

#### Washer

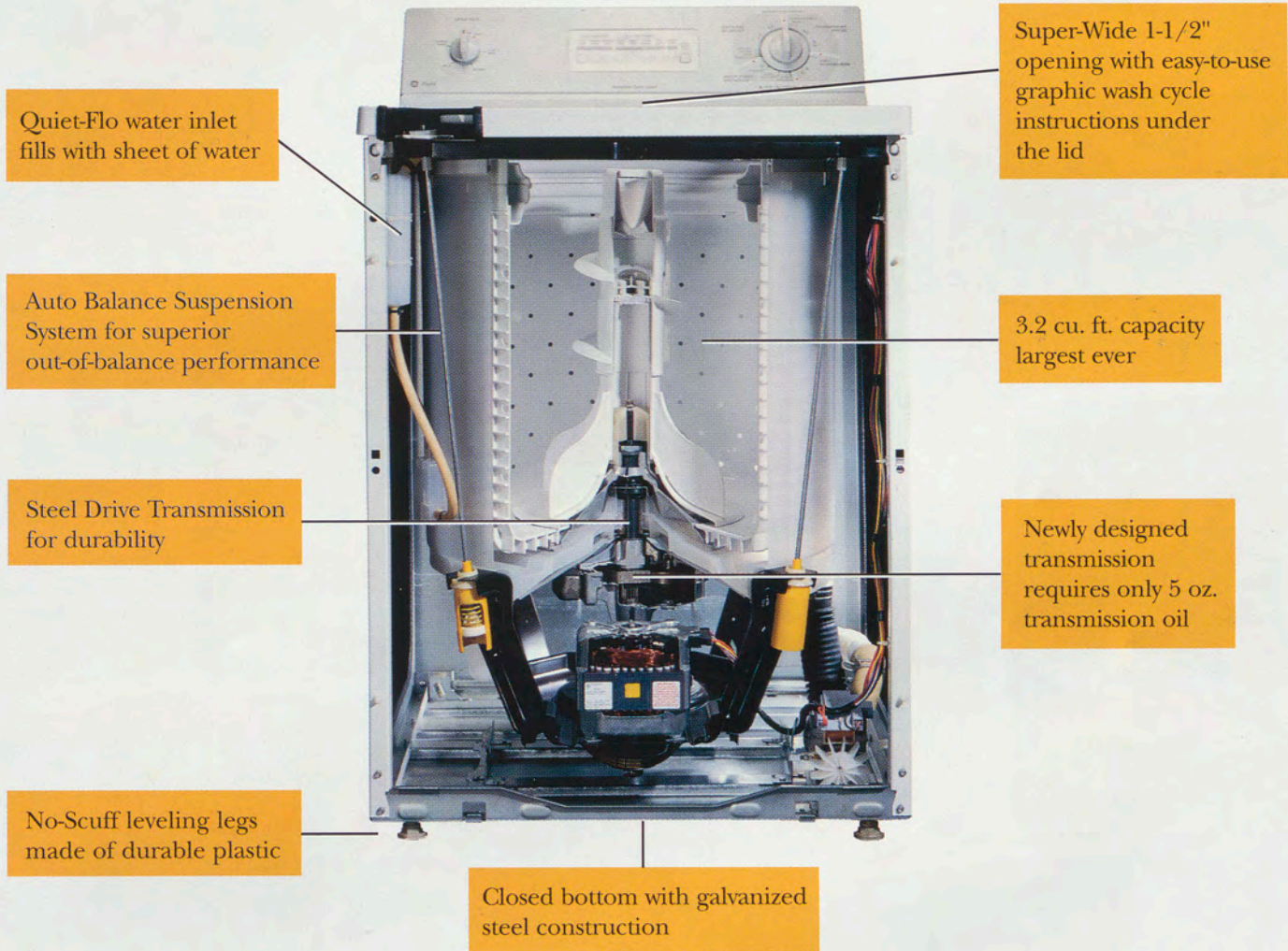
- Easy delivery, only 138 lbs.
- QuickSet Installation with Tie-Rod and Kick-off Skids
- 100% Front Serviceable
- Super 3.2 cu. ft. Capacity—Largest in the industry
- PermaTuf II™ interior basket with 20-year warranty
- Snow-white basket for fresh, clean look

#### Dryer

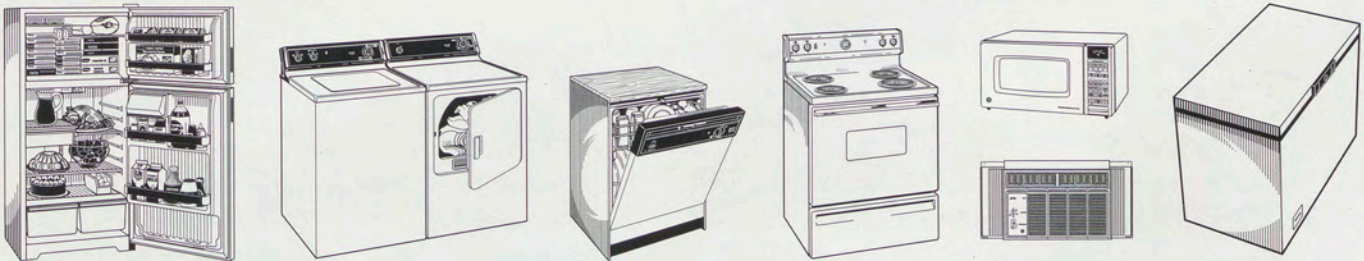
- Extra-large door opening for easy loading and unloading
- Reverse-A-Door for right or left hand installation
- New 6.0 and 7.0 cu. ft. capacity models
- Up-front lint filter

# Products that are easy to rent, low in maintenance?

## GE Washer



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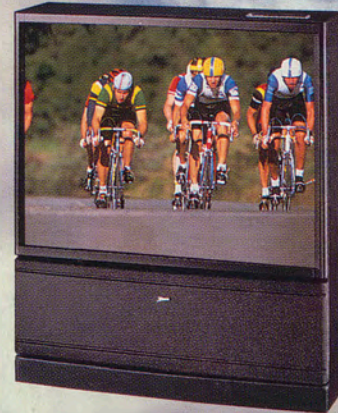


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